

Understanding Business, 12e (Nickels)

Chapter 01 Taking Risks and Making Profits within the Dynamic Business Environment

1) Businesses provide goods, jobs, and services to others.

Answer: TRUE

Difficulty: 1 Easy

Topic: Definition of Business

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

2) Businesses seek to earn a profit by providing goods and services to others.

Answer: TRUE

Difficulty: 1 Easy

Topic: Definition of Business

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

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3) Revenue is the amount a business earns above and beyond what it spends for expenses and costs.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

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4) Profit is the amount of money a business earns above and beyond what it spends for salaries and other expenses.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

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5) Since all businesses make a profit, starting a business is not risky.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

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6) An entrepreneur risks time and money to start and manage a business.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

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7) If a business's costs and expenses are greater than its revenue, it will suffer a loss.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

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8) Profits of a business include the salaries paid to its employees.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

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9) Revenue is the total amount of money a business takes in during a given period by selling goods and services.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

10) Risk is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

11) The United States has one of the highest standards of living in the world.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

12) The term "standard of living" refers to the amount of debt people can incur on a given income.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

13) Health care availability, a clean environment, and good schools all contribute to a high quality of life.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

14) Maintaining a high quality of life requires the combined efforts of businesses, nonprofit organizations, and government agencies.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

15) Stakeholders are all the people who stand to gain or lose by the policies and activities of a business.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

16) Stakeholders include customers, employees, stockholders, suppliers, dealers, bankers, government officials, and environmentalists.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

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17) Outsourcing means selling goods and services to people in other countries.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

18) Outsourcing has caused complications in many states where jobs have been lost to overseas companies.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

19) Insourcing refers to the practice of global companies setting up design and production facilities in the United States.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

20) The knowledge and skills learned in business courses are seldom relevant to students who work for nonprofit organizations or volunteer groups.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

21) Businesses and nonprofit organizations often strive to accomplish the same objectives.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

22) Nonprofit organizations use financial gains to meet stated social or educational goals of the organization rather than personal profit.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

23) The only real purpose of a business is to make money for entrepreneurs.

Answer: FALSE

Explanation: Businesses don't just make money for entrepreneurs. Businesses provide all of us with necessities such as food, clothing, housing, medical care, and transportation, as well as other goods and services that make our lives easier and better.

Difficulty: 2 Medium

Topic: Definition of Business

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

24) The only way a firm can increase its profits is to increase its sales revenue.

Answer: FALSE

Explanation: Revenues minus expenses = profits. A firm with stable or even declining sales might be able to improve profits by reducing expenses.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

25) The amount of profit or loss earned by a business can be found by subtracting the firm's expenses from its revenues.

Answer: TRUE

Explanation: Revenues minus expenses = profits.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

26) Nonprofit organizations are similar to for-profit businesses in that they often provide goods and services that satisfy the needs of society.

Answer: TRUE

Explanation: Businesses are not the only organizations that produce goods and services. Government agencies, public schools, and charities such as the Salvation Army provide goods or services, but are classified as nonprofit organizations since there is no profit motive.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

27) Unlike businesses, employees of nonprofit organizations are not required to learn the business skills of information management, marketing, or financial management.

Answer: FALSE

Explanation: In order to achieve their goals, nonprofit organizations need people with many of the same skills required by for profit businesses. For example, even though nonprofit organizations do not seek a profit, they still may deal with large sums of money and must keep financial records. Nonprofit organizations also need people with leadership, marketing, and information management skills.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

28) Business decisions should consider the interests of customers, employees, suppliers, government leaders, and stockholders.

Answer: TRUE

Explanation: All stakeholders stand to gain or lose by the policies and activities of a business. A major challenge of businesses is to improve profits while trying to accommodate the interests of all stakeholders.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

29) Businesses satisfy the demands of all stakeholders by balancing the demands of customers and stockholders.

Answer: FALSE

Explanation: Customers are interested in benefiting from the products and/or services produced by businesses. Stockholders are usually profit oriented. Stakeholders also encompass customers, suppliers, employees, stockholders, government organizations, environmental groups, and other organizations that are somehow affected by the business in question.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

30) An effort to please one group of stakeholders eventually pleases all stakeholders.

Answer: FALSE

Explanation: Balancing the demands of all stakeholders is a tremendous challenge for organizations. Trade-offs are common. Benefiting one group may have a negative impact on another group of stakeholders. For example, the need to stay competitive may call for outsourcing jobs to other countries, but that might do great harm to the community because many jobs would be lost.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

31) Insourcing creates new jobs, and helps offset the number of jobs being outsourced.

Answer: TRUE

Explanation: Many companies are setting up design and production facilities here in the United States. For example, Hyundai is doing design and engineering work in Detroit and producing cars in Montgomery, Alabama. Such insourcing creates many new jobs, and helps offset the number of jobs being outsourced.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

32) Sarah has started her own candy company. While she recognizes the risks involved in operating a business, she is still willing to invest her time, effort, and money in hopes of earning a profit. Sarah is an example of an entrepreneur.

Answer: TRUE

Explanation: An entrepreneur is someone who risks time and money to start and manage a business.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

33) Brandford Books, an eclectic bookstore in a Phoenix suburb, generated total revenues of \$17 million while incurring expenses of \$14 million. By the end of the year, Brandford Books earned a profit of \$3 million.

Answer: TRUE

Explanation: The profit a firm earns is found by subtracting total costs from total revenue. \$17 million – \$14 million = \$3 million

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

34) Since businesses strive to earn a profit, their owners benefit at the expense of the rest of society.

Answer: FALSE

Explanation: In the pursuit of profit, businesses create jobs; produce goods and services that contribute to a higher standard of living; and pay taxes that support important government programs. Thus, businesses benefit others in society as well as their owners.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

35) Jose earned the same amount of money this year as he did last year. Thus, his standard of living must be the same as it was last year.

Answer: FALSE

Explanation: The standard of living refers to the amount of goods people can buy with the money they have. There are two factors that determine the standard of living: a person's earnings and the price of goods and services. If the prices of goods and services have increased or decreased over the past year, Jose's standard of living will change even if the amount of money he earns is the same.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

36) Christina quit her job in Chicago to take a less stressful position in a small town located in a scenic area. She now earns less money and has had to cut back on her purchases of material goods, but she has more free time and really enjoys the clean air and scenic beauty of her new home. Christina has accepted a lower standard of living in order to enjoy a higher quality of life.

Answer: TRUE

Explanation: The standard of living is the amount of goods and services people can buy with the money they have. The quality of life is a broader measure of social welfare that refers to the general well-being of a nation's citizens. If citizens benefit from a cleaner environment, more political freedom, or more leisure time, their overall welfare (quality of life) may improve even if they are not able to purchase more goods and services with their incomes.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

37) Political freedom, quality education, access to health care, and a clean environment are all factors that contribute to an improved quality of life.

Answer: TRUE

Explanation: The quality of life focuses on the general well-being of a society, and includes factors such as freedom, security, leisure time, and other factors beyond the goods and services people can buy with their incomes.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

38) People living in San Francisco, CA, on average earn more money than people living in Kansas City, MO. The citizens of San Francisco enjoy a higher standard of living than the citizens of Kansas City.

Answer: FALSE

Explanation: The standard of living depends on the price level as well as the income people earn. For example, as our text indicates, people in Germany and Japan may earn more money than Americans, but they have a lower standard of living because the prices they pay for goods and services are higher.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

39) The major difference between businesses and nonprofit organizations is that only businesses can increase the standard of living, while only nonprofit organizations can improve the quality of life.

Answer: FALSE

Explanation: The standard of living refers to the amount of goods people can buy with their money. Both businesses and nonprofit organizations can produce and distribute goods and services, so they both affect the standard of living. Similarly, both businesses and nonprofit organizations can have an impact on the physical environment, health care, and other determinants of the quality of life.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

40) A charitable organization, such as the American Red Cross or Salvation Army, is classified as a for-profit organization.

Answer: FALSE

Explanation: A charitable organization is not classified as a for-profit organization since it does not seek a profit. Charities are classified as nonprofit organizations.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

41) It was recently reported that Japan succeeded in improving its people's standard of living and establishing a relatively affluent society. This report clearly indicates that both income levels and the price of goods and services rose significantly during that time period.

Answer: FALSE

Explanation: If the people of Japan improved their standard of living, this means that they can purchase more with their current income than they were able to do in the past. In order to purchase the same or more goods than they were able to purchase in the past, the price of goods and services either stayed the same or decreased; or the price of goods and services stayed the same, but income levels rose.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

42) Starting a business is a riskier path toward business success than working your way up the ranks of a large business.

Answer: TRUE

Difficulty: 1 Easy

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

43) Working as an entrepreneur is the only way to succeed in business.

Answer: FALSE

Difficulty: 1 Easy

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

44) Paid vacations and health care insurance are among the benefits provided by the government to entrepreneurs.

Answer: FALSE

Difficulty: 1 Easy

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

45) Land, sometimes called a natural resource, is the most critical factor of production in explaining why some countries are poor while others are rich.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

46) Money is one of the five factors of production that contribute to the creation of wealth.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

47) Tools, machinery, and buildings are examples of capital resources.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

48) The major advantage rich nations have over poor nations is an abundance of land and labor.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

49) Entrepreneurship is one of the five factors of production that contribute to the creation of wealth.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

50) Business consultant Peter Drucker said that the most important factor of production is knowledge.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

51) Most business experts agree that entrepreneurship and the effective use of knowledge are the most important contributors to the creation of wealth.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

52) The business environment refers to the surrounding factors that either help or hinder the development of businesses.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

53) Countries with an inadequately trained workforce and few entrepreneurs often achieve the highest levels of income by relying on a large number of workers.

Answer: FALSE

Explanation: Poor countries often have plenty of labor and access to adequate capital.

However, the two factors of production that are most critical in generating national wealth are entrepreneurship and knowledge. A country found lacking in these would experience relatively low levels of income.

Difficulty: 2 Medium

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

54) If they wish to create more wealth, poor nations should focus on policies that increase entrepreneurship and the effective use of knowledge.

Answer: TRUE

Explanation: Poorer nations often have plenty of labor and land, as well as access to capital.

However, the absence of entrepreneurship and knowledgeable workers seems to be the reason that most poor countries remain poor.

Difficulty: 2 Medium

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

55) Aaron recently opened Twangy Tunes, a small recording studio in Nashville, TN. He probably could have set up shop in several major cities, but Nashville offered him the two most important factors, according to Peter Drucker, that would enhance the creation of wealth: labor and political freedom.

Answer: FALSE

Explanation: According to leading economists and business analysts like Peter Drucker, entrepreneurship and knowledge are the two key factors that enhance the creation of wealth.

Difficulty: 3 Hard

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

56) Gary recently completed his degree in management and is planning to start a business rehabilitating apartment buildings. After researching several potential areas, he chose Los Angeles due to its high population. Greg felt that this factor would create a large labor pool, the most important of the five factors of production.

Answer: FALSE

Explanation: While labor is included in the factors of production, entrepreneurship and knowledge are considered the most important factors in the creation of wealth.

Difficulty: 3 Hard

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

57) Jackson is supposed to be studying for finals but his mind keeps wandering to the beach. Several years ago, his Uncle Mitch made it big and now owns a small resort near Fort Lauderdale. He promised Jackson a management trainee position and the opportunity to buy into the company by contributing a portion of his paycheck each month back into the business. As he daydreams about being his own boss, he should realize that freedom to succeed also means freedom to fail.

Answer: TRUE

Explanation: Entrepreneurship promises its participants the opportunity for great success; however, the potential of failure also looms in the process.

Difficulty: 3 Hard

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

58) Taxes and government regulations are part of the economic and legal environment in which businesses operate.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

59) High taxes and government restrictions help to encourage entrepreneurs by providing greater incentives for people to work hard and create profit.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

60) One of the best things the governments of developing countries can do to increase wealth is to minimize interference with the free exchange of goods and services.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

61) In countries where businesses cannot enter into binding contracts, business owners assume additional risk.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

62) In an effort to increase wealth and their country's standard of living, many governments are taking over major industries and operating them as nonprofit organizations.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

63) Corruption and illegal activities are expected in a capitalist system and can be beneficial.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

64) One way for a government to actively promote entrepreneurship is to establish a currency that's tradable in world markets so that you can buy and sell goods anywhere in the world using that currency.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

65) Honesty, integrity, and high ethical standards are essential to a capitalist economic system like the one that operates in the United States.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

66) Laws that allow companies to write enforceable contracts decrease the risk of doing business.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

67) In rich countries such as the United States, changes in the level of taxation have little impact on the incentives of entrepreneurs.

Answer: FALSE

Explanation: High taxes and excessive regulation tend to discourage entrepreneurship even in wealthy nations. In the United States, those states with the highest taxes and most burdensome regulations tend to drive out entrepreneurs while states with lower taxes and fewer regulations tend to attract them.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

68) The failure to uphold high ethical business standards by a few companies can negatively impact the entire U.S. business community.

Answer: TRUE

Explanation: Unethical business standards negatively affect the business community and our nation's economy. Ethics are so important that the news media will widely report unethical behavior.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

69) The government of the small nation of Gordonia owned the nation's telephone company and landlines. This relatively poor government relied on taxes to develop this industry and provide service to its citizens. If the government wanted to improve people's access to phone service, its best course of action would involve selling the telephone company to private investors.

Answer: TRUE

Explanation: Government can actively promote entrepreneurship by encouraging private ownership of businesses. If the government owns the businesses there is little incentive for people to work hard to create profits.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

70) The government of Willopolis is trying to attain a higher quality of life by imposing strict regulations to protect the environment and ensure safe working conditions in its industries. The government also has established programs to help the poor, financing them by raising tax rates. These efforts by Willopolis's government should create an atmosphere that encourages entrepreneurship.

Answer: FALSE

Explanation: One of the things a government can do to encourage entrepreneurship and the formation of wealth is to keep regulations and taxes to a minimum.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

71) Though it has received a lot of attention, the development of information technology (IT) has had less of an impact on the way businesses operate than many other changes.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

72) An increase in productivity indicates that more can be produced in a given time period with the same amount of resources.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

73) Technology can help businesses become more efficient and productive.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

74) Productivity is the amount of output you generate given the amount of input such as hours worked.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

75) Effectiveness means producing goods and services using the least amount of resources.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

76) Effectiveness means producing the desired result.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

77) Technology refers to everything that makes business operations more effective, efficient, and productive.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

78) E-commerce is the buying and selling of goods online.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

79) The online B2B market consists of selling goods and services to consumers.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

80) The rise of online marketing has become particularly important in doing business in the B2B markets.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

81) The business-to-business segment of e-commerce is of less importance than the business-to-consumer segment of e-commerce.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

82) Technology allows firms to be more responsive to their customers' wants and needs.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

83) Bar codes are a form of technology that has enhanced a company's ability to be responsive to consumer needs.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

84) An electronic storage file where information is kept is called a CPU.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

85) The databases of a business often include a great deal of information about the firm's customers.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

86) Information in a database allows firms to carry only the products that the local population wants.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

87) Identity theft is when individuals or firms access people's personal information and then use it for illegal purposes and activities.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

88) The main difference between B2C and B2B e-commerce is that B2C is only used online, while B2B combines e-commerce with traditional (bricks-and-mortar) outlets.

Answer: FALSE

Explanation: The major difference between B2C and B2B is the customer. B2C stands for business-to-consumer. Businesses involved in B2C sell mainly to households. B2B stands for business-to-business. Businesses involved in B2B sell mainly to other businesses.

Difficulty: 2 Medium

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

89) One of the major advantages to firms involved in e-commerce is that the technology is still so new that the online firms face very little competition.

Answer: FALSE

Explanation: The rise of e-commerce has led to intense competition. The rise of Internet marketing drew hundreds of competitors into the fray.

Difficulty: 2 Medium

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

90) Natalie has joined several other investors to form a new company that sells cosmetics products to consumers online. Natalie has invested in a B2C e-commerce company.

Answer: TRUE

Explanation: B2C companies specialize in selling goods to consumers.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

91) Workers in the island nation of Rainland have enjoyed an increase in the number of holidays and a reduction in the average length of the workday. This has reduced the total number of hours they work each year. However, the output per worker is higher now than it was before the reduction in hours. These facts imply that productivity on the island has increased.

Answer: TRUE

Explanation: Productivity is measured by dividing total output by work hours. Since output is higher while work hours have dropped, productivity must be higher.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

92) SmoothCoats produces industrial coatings for the steel industry. Until recently it relied on wholesalers to distribute its products to other businesses, but now it also sells directly to its B2B customers through its website. This is an example of the largest and most important type of e-commerce transaction.

Answer: TRUE

Explanation: As important as the Internet has been in the consumer market (B2C), it has become even more important in the business-to-business (B2B) market.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application; Analytic Thinking

Accessibility: Keyboard Navigation

93) As emerging technologies become widespread, businesses tend to find better uses for them. However, in the case of the Internet, businesses that sell B2B have not benefited from directly selling to their business customers in the same way that B2C companies have done.

Answer: FALSE

Explanation: The Internet has become an important business tool in both the B2B market and the B2C market.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

94) Julia finds it easy to do all her holiday shopping online. She can take comfort in the fact that new technologies if installed properly are seldom used in unethical ways.

Answer: FALSE

Explanation: Although technological wonders such as the Internet have improved the way we communicate with customers and friends, problems such as identity theft have surfaced.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

95) Technological innovation has a ripple effect. Kevin, a certified tech-nerd, is being courted by companies to write the next generation of antivirus software. Kevin should take this job because it will provide future opportunities for him.

Answer: TRUE

Explanation: The Internet has created tremendous job opportunities for specialists like Kevin.

Difficulty: 3 Hard

Topic: The Risks Associated with Information Technology

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

96) To remain competitive in today's market, firms must produce a quality product and offer outstanding service at a reasonable price.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

97) Producing a high-quality product will ensure success in the competitive environment.

Answer: FALSE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

98) Successful firms follow a customer-driven strategy, as opposed to the management-driven strategy used in the past.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

99) Zero defects means that there is a company goal of no mistakes in making products.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

100) Today's businesses have a managerial focus rather than a customer focus.

Answer: FALSE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

101) Competition is fierce! One way to respond quickly to customer needs is to develop a strategy of empowering employees.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

102) A policy of empowerment encourages managers to make decisions quickly for their frontline employees.

Answer: FALSE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

103) Empowerment means giving frontline workers the responsibility, authority, and freedom to respond quickly to customer requests.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

104) The goal of empowerment in the workplace is to prevent mistakes. Therefore, giving management more control over the actions of lower-level workers will prevent mistakes.

Answer: FALSE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

105) The primary focus of successful firms is designing and producing high-quality goods. Advertising is then used to convince consumers to buy their superior products.

Answer: FALSE

Explanation: Successful businesses are customer-driven, meaning that they listen to the wants and needs of customers and adjust their products, policies, and practices to better meet customer demands.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

106) It's important that firms are as efficient as possible. This is done by becoming management-driven for efficiency.

Answer: FALSE

Explanation: Business has become more customer-driven, not management-driven as in the past. This means that customers' wants and needs must come first.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

107) Customer-driven organizations require managers to closely direct and control their employees.

Answer: FALSE

Explanation: Customer-driven organizations will exceed their customers' expectations by empowering their frontline employees. The movement toward empowerment suggests that lower-level workers are likely to assume more responsibility in the future, while managers will give up some of their authority. Managers must train frontline people to make decisions without the need to consult managers.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

108) Buddy and Pablo are worthy competitors in the bakery business in Baltimore. Buddy recently negotiated a contract with a supplier for really cheap chocolate. He knows that bakery customers want cheap products. In this competitive environment, keeping the price down is all that matters.

Answer: FALSE

Explanation: In the current competitive environment of every industry, customers are looking for high quality and good value, at competitive prices.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

109) Bonnie runs a house cleaning service. Although she and her employees could service 12 households in one day, they average eight homes per day. Bonnie recently restructured her crew and provided each housekeeper with an incentive to acquire two new customers each month through customer referrals. As a recent business graduate, you would tell her she's probably on the right track.

Answer: TRUE

Explanation: Companies now have to offer both high-quality products and good value, but also outstanding service at competitive prices. Through restructuring, owners/managers often give up some of their authority and empower employees to make decisions that exceed customer's expectations.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

110) The statistical study of the human population to describe its size, age, gender, and income is known as diversity recognition.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

111) The U.S. population tends to buy the same things and spend time in roughly the same way as people did a decade ago.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

112) Demographic changes create new business opportunities.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

113) Diversity groups identified in the market today can include extroverts, introverts, atheists, and the religious.

Answer: TRUE

Difficulty: 1 Easy

Topic: Cultural Diversity in the Workplace

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Diversity

Accessibility: Keyboard Navigation

114) Companies have responded to a diverse customer base by hiring a more diverse workforce.

Answer: TRUE

Difficulty: 1 Easy

Topic: Cultural Diversity in the Workplace

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Diversity

Accessibility: Keyboard Navigation

115) Currently people between the ages of 45 and 54 are the richest group in the United States.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

116) New welfare rules have made it easier for single parents to remain at home with their young children without being required to seek employment.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

117) In some cities, the number of legal and illegal immigrants has caused governments to adapt by changing signs and forms to other languages.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

118) The federal government requires companies to take diversity very seriously, even recommending establishing a chief diversity officer in the executive suite.

Answer: FALSE

Difficulty: 1 Easy

Topic: Cultural Diversity in the Workplace

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Diversity

Accessibility: Keyboard Navigation

119) One factor that has had a major effect on businesses is the growth of single-parent families.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

120) Businesses that cater to older consumers in the future will likely not be successful.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

121) Businesses use demographic studies to understand where people live, their lifestyles, and what they are likely to buy.

Answer: TRUE

Explanation: Demography is the statistical study of the human population to learn its size, density, and characteristics. Since many goods and services appeal to customers with specific demographic characteristics (such as age or income), studying demographic trends can help businesses determine whether the demand for a good is likely to rise or fall.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

122) Diversity management would not be an issue if firms would treat all of their employees the same.

Answer: FALSE

Explanation: A diverse workforce can consist of minorities, women, people with disabilities, people with different sexual orientations, and with different religious beliefs. These differences can be a strength only if management works to meet the needs of each group while achieving the organizational goals. The interaction of these different views can encourage new perspectives and creative approaches to solving problems.

Difficulty: 2 Medium

Topic: Cultural Diversity in the Workplace

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Diversity

Accessibility: Keyboard Navigation

123) Demographic trends suggest that businesses will benefit from offering flexible work schedules, elder care, and child care to help employees balance the demands of job and family.

Answer: TRUE

Explanation: The increase in the number of single-parent families is a powerful demographic trend. Successful organizations will adjust and accommodate these changes in their social environment.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

124) The current Social Security system will ensure that the young people of today will have Social Security benefits in the future when they retire.

Answer: FALSE

Explanation: The current Social Security system means that today's workers pay for today's retirees. To date this has worked since there are more workers supporting each retiree. However, soon, less money will be coming into Social Security than will be going out and there will be a shortfall, suggesting that today's young people will not have Social Security benefits in the future.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

125) Jorge, a recent college graduate, is thinking of investing in a home health care business. He believes this will be a profitable venture because of the increasing number of people in the U.S. that will be over 65 years of age in the near future and more likely to need this type of service. This accurately describes a demographic trend that will affect his business choice.

Answer: TRUE

Explanation: When scanning the social environment for opportunities and threats, business professionals study demographic changes in their respective markets. Demographic changes like age can have a significant impact on business choices and career opportunities.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

126) Elizabeth is a single mother of small children. Her employer is considering providing family leave. Since she is a single mom with two young children, she is unlikely to benefit from this program.

Answer: FALSE

Explanation: Family leave allows workers to take time off to attend to a sick child and should be quite beneficial to Elizabeth since she has two small children.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

127) Jeff is an emergency room nurse at a regional hospital in Arizona. On a weekly basis, he will serve a number of patients who are not legally U.S. citizens. Fortunately, he speaks enough Spanish to communicate with the patients. Jeff is experiencing the realities of the social environment in some states.

Answer: TRUE

Explanation: There is a sizeable Spanish-speaking population that lives in this state. The social environment in many states and many countries can differ. Both for-profit and nonprofit companies must adjust to accommodate for changes in the social environment.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

128) Globalization has increased among nations.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

129) An important environmental change in the global environment is the growth of international competition.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

130) Improved distribution systems have led to more global trade.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

131) Global trade has suffered because of increased problems with the Internet.

Answer: FALSE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

132) Globalization has greatly increased living standards around the world.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

133) China and India have become major U.S. competitors.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

134) The threat of terrorism increases the costs of operating most businesses.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

135) Wars are costly to all companies.

Answer: FALSE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

136) War and terrorism have had a significant effect in drawing many resources away from the U.S. economy and led to many additional costs for businesses.

Answer: TRUE

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

137) In most industries, the only producers that pose a serious threat to U.S. manufacturers are those in Japan and Western Europe.

Answer: FALSE

Explanation: Producers in countries like China and India have become major U.S. competitors.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

138) Companies that participate in the defense industry by making weapons and other companies that make armored vehicles and even food companies do well when the U.S. is at war.

Answer: TRUE

Explanation: Although wars are quite costly for most companies, there are some whose revenues and profits grow. These are usually companies with government contracts that support the war effort.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

139) According to the box, "Hollywood Climbs the Great Wall," casting American actors of Chinese descent attracts larger audiences in China rather than casting a Chinese actor.

Answer: FALSE

Explanation: Though more than half of the top ten grossing films in China are from Hollywood, producers are looking to cast Chinese actors in their movies to appeal to audiences in China. Most recently the producers of the "Jumanji" remake were seeking a Chinese actor to feature in their film.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

140) One of the problems with globalization is that distribution systems and communication systems lack efficiency.

Answer: FALSE

Explanation: Distribution systems and communication systems have improved dramatically, and have contributed to world trade.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

141) The evidence for climate change is highly suspect. Well-known U.S. companies are taking a wait-and-see approach toward addressing climate change.

Answer: FALSE

Explanation: Climate change is a key question on the minds of most companies.

Difficulty: 2 Medium

Topic: Corporate Social Responsibility

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

142) Michael James owns a small manufacturing company that makes ventilation systems used in the construction of buildings. As the U.S. continues to be involved in wars around the globe, Michael may notice that his business will be growing more slowly in the future as more money continues to be put into the war effort.

Answer: TRUE

Explanation: Recent wars have drawn trillions of dollars from the American economy. Many companies have lost workers to the armed forces and have grown more slowly as money has been diverted to the war effort.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

143) Lacey owns a bakery in Dallas. She read online that the homeland security threat level has been increased due to anticipated terrorist activities, especially in large cities in the U.S. She will likely not be able to get insurance to cover any losses her business may suffer should an attack occur in Dallas.

Answer: TRUE

Explanation: Lacey's restaurant is located in a large U.S. city. Firms have found it difficult to get insurance against terrorist attacks.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

144) After several years of working and going to school part time, Hakim recently earned a degree in marketing at a local college. The growth in global markets may increase Hakim's job opportunities, but it will also require him to continually update his skills or seek additional education.

Answer: TRUE

Explanation: As businesses expand to serve global markets, new jobs will be created. But global markets will also create more competition. In order to remain competitive, U.S. workers will have to continually update their knowledge and skills.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

145) Maria is an engineer for Blustery Breezes, a small manufacturer of wind turbines. Recently, a larger company, PowerMen Electric, has shown interest in investing in this small operation. This is not surprising since firms that are creating products for alternative sources of energy are attracting the attention of governments and other businesses.

Answer: TRUE

Explanation: Energy and sources of energy promise to be key considerations that will attract the attention of government and other businesses.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

146) Over many years the nature of U.S. business has changed very little from century to century.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

147) The number of U.S. jobs in manufacturing has increased in the past five years.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

148) Technology helped the manufacturing industry to become more productive.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

149) While the proportion of workers employed in agriculture has remained relatively constant, the average size of farms has steadily decreased over the past century.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

150) Increases in productivity have allowed fewer farmers to feed more and more people.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

151) The advice provided by a personal trainer is an example of the service industry.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

152) Almost all of the growth in employment opportunities since the mid-1980s has been generated by the service sector.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

153) Although employment in the service sector has increased rapidly in recent years, the vast majority of workers are still employed in the goods-producing sector.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

154) There are currently more high-paying jobs in the service sector than in the goods-producing sector.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

155) The best employment strategy for today's college graduates is to search for jobs that are closely related to their college major.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

156) The growth in the service sector in the United States appears to be giving way to an information-based global era.

Answer: TRUE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

157) The transition from an agricultural economy to a manufacturing economy to a service-based economy has resulted in a serious increase in long-term unemployment.

Answer: FALSE

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

158) One reason given for the decline in the number of U.S. workers employed in manufacturing is that manufacturing firms in the U.S. have become more efficient.

Answer: TRUE

Explanation: Technology has allowed U.S. workers to be more productive, resulting in the need for fewer workers. Many American manufacturing firms have downsized because of this increased efficiency.

Difficulty: 2 Medium

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

159) The continuing increase in the number of U.S. workers in the service sector means that more and more workers are employed in low-wage positions.

Answer: FALSE

Explanation: Some jobs in the service sector do pay low wages, but there are actually more high-paying jobs in the service sector than in the goods-producing sector. Service jobs include high-wage positions in such industries as health care, accounting, architecture, law, and telecommunications.

Difficulty: 2 Medium

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

160) Historically jobs lost in one sector of the economy have been replaced by increased employment opportunities in other sectors.

Answer: TRUE

Explanation: The history of our nation's economy shows that as jobs were lost in agriculture earlier in the last century, displaced farm workers were often able to find employment in the growing manufacturing sector. More recently, declines in manufacturing employment have been offset by rapid growth in the service sector. The latest growth area for new jobs is in information technology.

Difficulty: 2 Medium

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

161) Kira is a financial planner who helps people find ways to save for retirement and lower their taxes. Kira is employed in the service sector of the economy.

Answer: TRUE

Explanation: The service sector produces intangible goods. Financial planning is one type of service.

Difficulty: 3 Hard

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

162) After losing her manufacturing job in the U.S. automobile industry, Cho has found that well-paid service-sector jobs require retraining and further education.

Answer: TRUE

Explanation: High-paying service-sector jobs can be found in health care, accounting, finance, entertainment, telecommunications, architecture, law, and software engineering. However, these jobs require specialized training and education.

Difficulty: 3 Hard

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

163) An entity that seeks to earn a profit by providing a good or service is known as a(n)
A) industry.
B) corporation.
C) business.
D) service.

Answer: C

Difficulty: 1 Easy

Topic: Definition of Business

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

164) _____ is the amount a business earns after deducting what it spends for salaries and other expenses.
A) Profit
B) Revenue
C) Interest
D) Dividends

Answer: A

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

165) A business incurs a _____ if its costs and expenses exceed its revenues.
A) loss
B) liability
C) debit
D) dividend

Answer: A

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

166) _____ is the chance a business owner will lose the time and money invested in a business that proves to be unprofitable.

- A) Depreciation
- B) Risk
- C) Fallibility
- D) Redundancy

Answer: B

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

167) The total amount of money that businesses take in by selling goods and services is called _____.

- A) profit
- B) revenue
- C) loss
- D) retained earnings

Answer: B

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

168) A(n) _____ is a person who assumes the risk of starting a business.

- A) manager
- B) entrepreneur
- C) employee
- D) stakeholder

Answer: B

Difficulty: 1 Easy

Topic: Define Entrepreneurship

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

169) Starting a business always involves _____.

- A) profit
- B) loss
- C) revenue
- D) risk

Answer: D

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

170) Often in business the greater the risk, the _____.

- A) greater the potential reward
- B) lower the expected revenues
- C) lower the value provided to society
- D) greater the number of stakeholders

Answer: A

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

171) _____ is a measure of the general well-being and satisfaction derived from a variety of factors including political freedom, safety, education, and a clean environment.

- A) Standard of living
- B) Quality of life
- C) Gross national income
- D) Social satisfaction index

Answer: B

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

172) The amount of goods and services people can buy with the money they have is called their:
A) nominal income.
B) consumer price index.
C) profit margin.
D) standard of living.

Answer: D

Difficulty: 1 Easy

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

173) The customers, employees, stockholders, suppliers, creditors, and others who stand to gain or lose by the policies and activities of a business represent the firm's:
A) market makers.
B) economic environment.
C) stakeholders.
D) social mentors.

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

174) The most important difference between for-profit businesses and nonprofit organizations is that:
A) businesses do not benefit society.
B) nonprofit organizations seek to make a profit for their owners and organizers.
C) nonprofit organizations do not seek a profit for their owners or organizers.
D) nonprofit organizations do not file tax returns.

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

175) Last year, Archer Electronics reported revenues of \$34 million while its total expenses were \$10 million. Based on this information, Archer reported

- A) profits of \$24 million.
- B) profits of \$34 million.
- C) losses of \$24 million.
- D) losses off \$34 million.

Answer: A

Explanation: Profits are found by subtracting costs and expenses from revenues, so Adventure Enterprises profits are \$34 million - \$10 million = \$24 million

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

176) A common characteristic of most entrepreneurs is that they:

- A) accept the risks involved in starting and managing a business.
- B) have a high level of scientific and technical expertise.
- C) possess a great deal of personal wealth.
- D) have experience in running large, complex organizations.

Answer: A

Explanation: An entrepreneur is a person who risks time and money to start and manage a business.

Difficulty: 2 Medium

Topic: Define Entrepreneurship

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

177) Which of the following is the best example of a business whose goal is to earn a profit?

- A) A community college
- B) The American Red Cross
- C) Boy Scouts of America
- D) Apple

Answer: D

Explanation: Apple is the only one of the organizations listed which seeks to earn a profit. All of the others are nonprofit organizations.

Difficulty: 2 Medium

Topic: Definition of Business

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

178) In order to make an intelligent investment decision, entrepreneurs should:

- A) limit their options to those business investments that are backed by the U.S. government.
- B) invest in businesses that have generated a stable rate of profit for at least the past 10 years.
- C) invest only in business opportunities where it is possible to take an active role in management.
- D) compare the risks of potential investments to their expected profits and find the right balance between profit and risk.

Answer: D

Explanation: Those companies with high risk also often possess the potential for high profits. Entrepreneurs must weigh risk and profit and find the right balance.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

179) Honda and Hyundai have insourced for years to design and manufacture cars in the United States. Insourcing

- A) helps offset the number of jobs being outsourced.
- B) increases the number of jobs being outsourced.
- C) damages the United States economy.
- D) causes jobs to be lost to overseas competitors.

Answer: A

Explanation: Companies including Honda and Hyundai have set up design and production facilities in the United States. Insourcing creates many new jobs, and helps offset the number of jobs being outsourced. Because insourcing creates jobs, it actually helps the U.S. economy.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

180) Public schools, charities, and government agencies generally _____.

- A) are incorporated
- B) do not seek to earn a profit
- C) provide goods rather than services
- D) do not have any stakeholders

Answer: B

Explanation: Although schools, charities, and government agencies often provide goods and services, they do not seek a profit. Therefore, they are nonprofit organizations rather than businesses.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

181) For-profit businesses and nonprofit organizations are similar in that they both:

- A) contribute to the welfare of society.
- B) seek to earn a profit.
- C) have a limited life.
- D) must be controlled by a board of directors.

Answer: A

Explanation: A business is an activity that seeks to profit by providing goods and services to others. Nonprofit organizations, such as charities and government agencies, also provide goods and services to satisfy the needs of people within a society, but they do not seek a profit.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

182) The standard of living for a nation's people depends mainly on:

- A) the quality of the natural environment.
- B) how much political freedom they have.
- C) their income and the prices of the goods and services they buy.
- D) the amount of labor and capital available employed in the manufacturing sector.

Answer: C

Explanation: The standard of living of a country refers to the amount of goods and services people can buy with the money they have.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

183) World-class businesses attempt to meet the needs of:

- A) their customers, even if it comes at the expense of employees and other stakeholders in the business.
- B) their employees, even if it means shortchanging customers by charging higher prices.
- C) all stakeholders.
- D) exclusively their owners, since they are ultimately the ones who pay the bills.

Answer: C

Explanation: Stakeholders are all the people affected by a business. World-class firms of the future will attempt to meet the needs of all of stakeholders.

Difficulty: 2 Medium

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

184) Michelle recently started selling her invention: A bed that looks like it floats in mid-air. The bed is actually suspended by magnetic forces. Michelle is a(n)

- A) arbitrageur.
- B) entrepreneur.
- C) speculator.
- D) account manager.

Answer: B

Explanation: An entrepreneur is a person who assumes the risk of starting a business.

Difficulty: 3 Hard

Topic: Define Entrepreneurship

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

185) Donnell wants to invest some money that he just inherited. He found that his bank offers a savings account paying a guaranteed .3% rate of return. However, he would like to earn a higher return. Donnell should keep in mind that to earn a higher return on his money he

- A) will have to invest overseas.
- B) should invest in a business that has a very stable and predictable rate of return.
- C) will probably have to accept a higher level of risk.
- D) will probably have to engage in illegal activities.

Answer: C

Explanation: Investing in a savings account (certificate of deposit) at a bank entails very little risk, but earns a relatively small return. Business opportunities that offer the potential for high profits are often associated with a high level of risk. An investor must weigh the potential profit of an investment with its risk.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

186) Which of the following is the most accurate statement about the impact of business on society?

- A) When businesses earn a profit for their owners, they usually do so at the expense of the rest of society, which proves it is never a win-win situation.
- B) While businesses often improve the standard of living within a society, they can do little to improve the quality of life.
- C) Businesses often improve the quality of life, but can do little to improve the standard of living of most people due to inflation.
- D) Businesses can have a positive impact on both the standard of living and the quality of life within a society.

Answer: D

Explanation: Businesses are part of an economic system that helps create a higher standard of living and quality of life for everyone.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

187) Though the prices of things she buys have gone up, Jin's income has remained stable over the past few years . Nevertheless, Jin feels better off because the environment is cleaner, the crime rate has dropped, she has more relaxation time, and the quality of medical care has improved. If Jin's experience is typical, we can assume that the standard of living has

- A) increased, but the quality of life has decreased.
- B) increased, and so has the quality of life.
- C) declined, but the quality of life has increased.
- D) declined, and so has the quality of life.

Answer: C

Explanation: The standard of living refers to how much people can buy with their income. Since prices have gone up faster than her income, Jin's standard of living has declined. However, quality of life refers to a broader measure of general well-being. The improved quality of the environment, safer streets, increased leisure time, and improved medical care would all contribute to an improvement in general well-being, and hence would increase the quality of life.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

188) Eve and her three college friends enjoy perfumes. As a special gift to each of them last holiday season, she found a way to make scented candles with each friend's favorite perfume scent. The three friends loved her gift idea and encouraged Eve to create more and sell them online. Recently, she is filling orders from her website, and turning a profit. Eve is proof that:

- A) me-too businesses work.
- B) when you successfully fill a market need, you can make money.
- C) the Internet is a way to distribute just about anything.
- D) the cost of supplies to make candles is relatively cheap.

Answer: B

Explanation: In order to stay competitive, entrepreneurs must find a market niche—something the market needs.

Difficulty: 3 Hard

Topic: Define Entrepreneurship

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

189) Green Goddess Developers is a large nationwide landscape company with home offices in Libertyville, IL. The local media often gushes over the gorgeous landscaping that surrounds the 30-acre headquarters. At the back end of the complex are several large warehouses and garages that hold large equipment. The grounds surrounding the warehouses look like a park. Across the street from the garages are several shops and businesses. The CEO, Patty, often talks about how thankful she is that the town permits her to store equipment at that site, and vows to always maintain the premises for her neighbors, not to mention that she asks 100 employees to come to work there every day. Which of the following statements describes Patty's business philosophy?

A) Patty is a nice woman whose company made a lot of money, so she is willing to spread it around.

B) Patty understands that even though it may cost a little more, stakeholder considerations are very important if you want your business to thrive.

C) Patty is more concerned about town politics than about the company profits. She should ask his employees if they would rather have that money in their pockets than on the lawns.

D) Patty is taking a business risk that her trucks and equipment will not make too much noise as they enter and exit the garages.

Answer: B

Explanation: When considering the social environment of one's business, it is important to consider all stakeholders that your business affects. Stakeholders include customers, employees, suppliers, and even other businesses and residential areas that are located within proximity of your business location.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application; Analytic Thinking

Accessibility: Keyboard Navigation

190) Which of the following entails the greatest amount of risk?

A) Working for the government

B) Working for a large business

C) Working for a small business

D) Starting a business

Answer: D

Difficulty: 1 Easy

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

191) The resources that contribute to the creation of wealth are known as _____.

- A) production coefficients
- B) factors of production
- C) production technologies
- D) production aggregates

Answer: B

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

192) Which of the following is a factor of production?

- A) Bonds
- B) Money
- C) Knowledge
- D) Service

Answer: C

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

193) As a factor of production, the term *capital* includes:

- A) Stocks and bonds issued by corporations.
- B) Natural resources such as land and water.
- C) Tools, machinery, and buildings.
- D) Services provided by the government that enable businesses to be more productive.

Answer: C

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

194) Two factors of production that seem to contribute the most to a nation's ability to create wealth are:

- A) land and labor.
- B) land and capital.
- C) entrepreneurship and labor.
- D) entrepreneurship and knowledge.

Answer: D

Difficulty: 1 Easy

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

195) _____ is/are the external and internal circumstances that surround the business.

- A) The business environment
- B) The factors of production
- C) The business corral
- D) The business disciplines

Answer: A

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

196) Entrepreneurs weigh the differences between the benefits of starting a business and those things that they are likely to forego because they choose to work for themselves. Such things they are likely to pass up on are:

- A) the freedom to make their own decisions.
- B) local government benefits such as enterprise zone tax credits.
- C) employer-paid benefits such as paid vacation and health insurance.
- D) tickets to sporting events that trading partners may provide.

Answer: C

Explanation: Entrepreneurs and small business owners do not receive the employer-paid benefits that a large firm can offer, including such things as paid vacations and health insurance benefits. They give up these opportunities for the freedom to work for themselves and keep the profits that their businesses realize.

Difficulty: 2 Medium

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

197) Which of the following is a benefit of owning your own business?

- A) Freedom to keep the profits from your business
- B) Government-supported health insurance
- C) More camaraderie with employees
- D) Shorter work hours

Answer: A

Explanation: One of the benefits of owning your own business is the freedom to keep the profits after taxes. Another is the enjoyment of being your own boss.

Difficulty: 2 Medium

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

198) Mary Kay owns a nursery. The trucks, handcarts, and forklift she purchased for the business are called _____ investments.

- A) natural resources
- B) intangible resources
- C) current asset
- D) capital

Answer: D

Explanation: As a factor of production, capital includes tools, machinery, equipment, such as the trucks, hand carts, and forklift machines mentioned in this question.

Difficulty: 2 Medium

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

199) As you consider the factors of production, which of the following did management theorist Peter Drucker believe to be one of the most important contributing factors to increasing our nation's wealth?

- A) Land
- B) Labor
- C) Knowledge
- D) Capital

Answer: C

Explanation: According to the late Peter Drucker, knowledge is and will be the most important factor of production in our economy. He specifically refers to the high-tech workers in the Silicon Valley as knowledge workers.

Difficulty: 2 Medium

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 200) When we compare the factors of production in wealthy versus poor nations, we find
- A) poor nations have plenty of land and knowledge, but very little labor.
 - B) poor and wealthy nations (both) have an abundance of knowledge; it is the land that varies, with rich nations always having more.
 - C) wealthy nations have knowledge and entrepreneurial opportunities, while poor nations are often lacking in these areas.
 - D) wealthy nations have land and labor, while poor nations have capital and entrepreneurship.

Answer: C

Explanation: The factors of production known as *knowledge* and *entrepreneurship* contribute toward a nation's opportunity to innovate and create new products and services. Entrepreneurs use their knowledge to grow their businesses and increase wealth.

Difficulty: 2 Medium

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

201) A nation progresses socially when it has good schools, clean air and water, and more.

Which of the following statements addresses conditions for social progress?

- A) Social progress will evolve when capital is apportioned to everyone in equal amounts.
- B) A city, state, or nation's social progress needs the right business environment.
- C) The foundation for social progress is a handful of wealthy entrepreneurs willing to spread the wealth.
- D) Social progress can only improve when there is a strong labor pool to draw from.

Answer: B

Explanation: The foundation for social progress is having the right business environment. When businesses create wealth and jobs, they are able to contribute to the social progress in the area where they operate. The result is usually good schools and other social services, such as police protection and good health environment.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

202) Which of the following statements about factors of production is the most accurate?

- A) The five factors of production are energy, capital, labor, leadership, and money.
- B) Wealth creation in poor nations is slowed by chronic shortages of labor.
- C) Each of the factors of production is equally important in creating wealth.
- D) Entrepreneurship and knowledge are the most important in creating wealth.

Answer: D

Explanation: There are five major categories of factors of production: land, labor, capital, entrepreneurship, and knowledge. Poor nations often have plenty of labor and land, but lack entrepreneurship and knowledge resources. Thus, the only accurate statement is that knowledge and entrepreneurship are the most important factors of production for the creation of wealth.

Difficulty: 3 Hard

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

203) Cantlivia is a small and poor nation, but its current prime minister has a desire to create more wealth for her citizens. The prime minister has received recommendations from several of her advisors. Which of the following recommendations is likely to create the most wealth for Cantlivia?

- A) Acquire more land by invading a neighboring country that is even poorer and weaker than Cantlivia.
- B) Use foreign aid from other nations to purchase more tools and machinery.
- C) Establish a business environment that promotes and rewards entrepreneurship.
- D) Establish barriers to trade to protect Cantlivia businesses from foreign competition.

Answer: C

Explanation: The factors of production that seem to contribute most to the generation of wealth are entrepreneurship and knowledge. Thus, one key to promoting wealth creation is to foster entrepreneurship.

Difficulty: 3 Hard

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

204) Brendan and Sean combined their love of baseball with a business venture. They purchased a small cart and began selling memorabilia outside of their hometown stadium. Their first year went well, but the past two years have been quite a struggle. Due to poor economic conditions and the team's horrible record, ticket sales at the stadium are down, which has significantly hurt their sales as well. As a recent business graduate, you explain to Brendan and Sean that

- A) this type of business is always high risk because it is seasonal.
- B) the business does not fill a sufficient need for most people.
- C) environmental circumstances are dynamic and tough to control.
- D) social entrepreneurs are currently getting most of the attention.

Answer: C

Explanation: The business environment consists of surrounding factors that either help or hinder the development of businesses. In this case the economic environment has severely affected the number of people attending hockey games. Business environments are dynamic. They are constantly changing and business must learn to navigate the changes.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

205) Pete is a recent finance graduate who has two passions: music and finance. Upon graduation, he was offered an opportunity to join a struggling rock band with a lot of potential, or a job at a large well-established financial services company. By joining the band, he will forego which of the following?

- A) Added benefits such as health insurance provided to employees of large corporations.
- B) The freedom to contribute as an innovator in his work environment.
- C) Long hours at work, while he learns the business and contributes to making it successful.
- D) Job protection.

Answer: A

Explanation: Entrepreneurial ventures and small businesses, particularly in their infancy, cannot offer owners/employees the same benefits as large, established companies. In this case, it is the health benefits Pete will forego.

Difficulty: 3 Hard

Topic: Define Entrepreneurship

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

206) China is a nation with a vast amount of land and a very large population. Another characteristic of this nation is its people's affinity for saving money. Referring to the five factors of production, the government of China has made significant progress in building its business environment by focusing on factors that needed improvement. Its best strategy would be to

- A) increase the supply of labor.
- B) increase sources for capital.
- C) increase entrepreneurship.
- D) encourage neighboring nations to provide the necessary land for business development.

Answer: C

Explanation: Entrepreneurship is one of two factors of production that management theorists believe to be most important for wealth creation. The other is knowledge.

Difficulty: 3 Hard

Topic: The Factors of Production

Learning Objective: 01-02 Explain how entrepreneurship and the other factors of production contribute to the creation of wealth.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

207) Taxes and government regulations are part of the _____ environment of business.

- A) economic and legal
- B) competitive
- C) social
- D) technological

Answer: A

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

208) Businesses favor:

- A) minimal government spending because it keeps taxes to a minimum.
- B) more government services because it minimizes tax consequences.
- C) maximum government spending because it raises business profits.
- D) less government spending because it lowers business profits.

Answer: A

Difficulty: 1 Easy

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

209) In order to create more wealth and provide better services, some nations recognize that _____.

- A) raising taxes benefits all businesses.
- B) a good strategy is to minimize interference with the free exchange of goods and services.
- C) restricting trade with other countries always helps domestic businesses.
- D) taking control of privately owned businesses and making them government-run will decrease taxes and improve the lives of everyone.

Answer: B

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

210) In countries where businesses are government owned,

- A) there is less incentive to work hard.
- B) the right amount of each good is produced.
- C) profits tend to be higher.
- D) the quality of goods is high but profits are low.

Answer: A

Difficulty: 1 Easy

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

211) High tax rates tend to:

- A) promote economic development.
- B) make a nation's currency tradable.
- C) discourage entrepreneurship.
- D) reduce the amount of money created by the government.

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

212) Contemporary governments promote business development by

- A) increasing business regulations.
- B) providing government ownership of businesses.
- C) permitting businesspeople to conduct business without the use of contracts.
- D) establishing a currency that's tradable in world markets.

Answer: D

Explanation: The government can establish a currency that's tradable in world markets so that businesspeople can buy and sell goods and services anywhere in the world using that currency.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

213) Which of the following policies would tend to foster entrepreneurship?

- A) Minimize taxes and regulations.
- B) Promote more regulations to protect the environment.
- C) Develop policies to reduce corruption between individuals.
- D) Encourage public ownership of businesses.

Answer: A

Explanation: Minimizing taxes and fewer government regulations are favorable policies toward the creation of businesses.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

214) When corruption is present in the business environment:

- A) company leaders may threaten competitors and minimize competition.
- B) factories are easier to build without a government permit.
- C) it promotes fair competition.
- D) laborers can make more money.

Answer: A

Explanation: Governments should help to minimize corruption in business for several reasons. It's hard to do business in many poor countries because the governments ignore corruption among businesses and the governments are also corrupt. It's very difficult in such countries to get permission to build a factory or open a store without a government permit, which is obtained largely through bribery of public officials. Among businesses themselves, leaders can threaten competitors and minimize competition.

Difficulty: 2 Medium

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

215) Which of the following government policies would be **least** likely to encourage entrepreneurship?

- A) Passage of laws that enable businesspeople to write enforceable contracts
- B) Establishment of a currency that is tradable in world markets
- C) Establishment of strict regulations specifying exactly how products should be made to ensure safety and affordability
- D) Passage of laws that eliminate corruption in government and business

Answer: C

Explanation: One of the things governments can do to encourage entrepreneurship is keep business regulations to a minimum. Regulations may be desirable in other respects, but they tend to discourage entrepreneurship by making the formation and management of businesses more difficult and expensive.

Difficulty: 3 Hard

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

216) Blockbuster stores shuttered their doors but Netflix is still growing. Both companies participated in the video rental business. Netflix evaluated the lifestyle needs of video customers, understanding that time, family, and work obligations called for more convenient methods to receive video entertainment. Netflix embraced the opportunity to stream videos directly to customers and create their own content. The company also managed to keep customer costs down, by passing along the savings it realized in labor. Blockbuster did not pay enough attention to competitor movements, permitting Netflix to quickly capture video market share. Which external environment probably had the *least* effect on Netflix's success?

- A) Social environment
- B) Competitive environment
- C) Economic and legal environment
- D) Technological environment

Answer: C

Explanation: Netflix embraced new opportunities in technology to stream online. It also saw opportunities in the social environment. With single- and dual-income families pressed for time, customers are seeking added conveniences. Netflix differentiates its product, positioning itself as friendlier and cheaper. Blockbuster was very slow to react to competitive pressures. Although customers enjoyed the cheaper prices, the technological environment made it cheaper for Netflix to keep costs down and pass along savings to the customer. The economic downturn had little effect on this situation; and the firms operated within the legal limits of the law.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

217) A *New York Times* article about Bernie Madoff and his illegal Ponzi scheme stated, "When money goes global, fraud does too." Although the goal of investors who trusted Madoff's investment company was to earn the highest return possible on their investments, they turned a blind eye toward the fact that some of those returns were too good to be true. Individual investors, companies, and even charities lost large sums of money by investing with Madoff's company. Which of the following statements relates to this story?

- A) The unethical behavior of one company had a worldwide ripple effect that can impact the well-being of an economy.
- B) Too much regulation caused the capitalistic nature of Mr. Madoff's business model to fail.
- C) People lost money because of the fluctuations in world trading currencies, questioning the legitimacy of trading abroad.
- D) Investors did not sign contracts with Mr. Madoff's company. The government can only protect individuals and companies who sign enforceable contracts.

Answer: A

Explanation: Unethical behavior can have a steamrolling effect on business as consumers lose confidence and the overall effect on the economy turns negative.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Apply

AACSB: Ethics

Accessibility: Keyboard Navigation

218) Chao sells custom bicycles. He buys several bike parts including wheels and tires from Upright Strides, Inc. Although several government-supported regulations help Chao in his business, regulations that make it easy for his business to enjoy good vendor relationships are

- A) lower taxes that business-to-business customers pay to each other.
- B) laws that permit minimal corruption in banking institutions.
- C) laws that permit small businesses to use the government as an intermediary when doing business with other small businesses.
- D) laws that support enforceable contracts between firms.

Answer: D

Explanation: Without enforceable contracts between firms, small and large businesses cannot efficiently conduct business. The government can lessen the risks of entrepreneurship by passing laws that enable people to write good business contracts that are enforceable in court.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Analyze

AACSB: Analytic Thinking

Accessibility: Keyboard Navigation

219) Walter Waterson owns a lawn irrigation system business. He manages the installations and maintenance of these systems. Several customers are golf courses, but he serves a large group of residential customers as well. When he started the business 10 years ago, he promised to always operate within the legal limits of the law, but lately, the competition is eating him alive. Large competitors have hired illegal immigrants to perform the manual labor, and they do not pay taxes on these employees—they just pay them in cash at the end of the week. Employment taxes are a burden to him. Walter does not want to hire illegal workers. There's a risk if you permit an illegal worker to drive a truck; or, if he/she has an accident on the job. You have just studied business ethics in your class. You inform Walter that

A) taxes only need to be paid for the owners.

B) he is not only taking a chance that a bigger problem may occur, he is indirectly setting the ethics code for his business.

C) small businesses may not be able to worry about ethics codes. These types of documents are better suited for big business.

D) it is not unethical to try to better the lives of others. Everyone needs jobs.

Answer: B

Explanation: As will be read in Chapter 4, management's business ethics sets the tone for the company's value system. Corruption and illegal activities at some companies do negatively affect the business community as a whole.

Difficulty: 3 Hard

Topic: The Ethical Concerns that Affect Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Apply

AACSB: Ethics

Accessibility: Keyboard Navigation

220) The emergence of an information-based economy are important parts of the _____ environment in which businesses operate.

A) economic and legal

B) technological

C) competitive

D) global

Answer: B

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

221) Technology affects people in:

- A) all industries.
- B) most industries.
- C) information technology industries with the exception of agriculture.
- D) primarily high-income countries.

Answer: A

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

222) Employers provide tools and technology for their employees in order to:

- A) increase the cost of production and profitability.
- B) improve their efficiency and productivity.
- C) reduce corruption in business and eliminate scandals.
- D) encourage the private ownership of businesses.

Answer: B

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

223) Efficiency means:

- A) producing the desired result.
- B) producing goods and services using the least amount of resources.
- C) the amount of output you generate given the amount of input.
- D) the buying and selling of goods using the most amount of resources.

Answer: B

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

224) _____ refers to the amount of output generated with a given amount of input, e.g., the number of pizzas produced per worker per hour.

- A) Efficiency
- B) Technology
- C) Telecommuting
- D) Productivity

Answer: D

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

225) _____ means producing the desired result.

- A) Effectiveness
- B) Technology
- C) E-production
- D) Productivity

Answer: A

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

226) _____ means producing items using the least amount of resources.

- A) Efficiency
- B) Technology
- C) E-production
- D) Productivity

Answer: A

Difficulty: 1 Easy

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

227) The two main types of e-commerce are:

- A) online and offline.
- B) EDI and EDC.
- C) wholesale and retail.
- D) B2B and B2C.

Answer: D

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

228) When businesses sell to other businesses online, these transactions are known as:

- A) B2C transactions.
- B) e-wholesale transactions.
- C) B2B transactions.
- D) intermediate e-commerce transactions.

Answer: C

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

229) Companies that sell goods to consumers online are engaging in _____ transactions.

- A) B2C
- B) IOU
- C) B2B
- D) Y2K

Answer: A

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

230) The series of lines on a product packaging that the cashier scans when you check out at a grocery store or discount store is called a
A) bar code.
B) zip code.
C) scan code.
D) laser code.

Answer: A

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

231) An electronic storage file where firms keep customer information is known as a(n) _____.
A) MP3 file
B) management information system
C) database
D) e-mail server

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

232) _____ is illegally obtaining and illegally using private information about a person, such as using someone's credit card number.
A) Petty theft
B) Identity theft
C) Banking theft
D) Online theft

Answer: B

Difficulty: 1 Easy

Topic: The Risks Associated with Information Technology

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

233) One advantage of a database is it

- A) permits a retail store to directly gather information on the customers who do business with its competitors, so it can target promotional materials to those people.
- B) creates efficiency in that the store can quickly replenish items that are purchased.
- C) prevents identity theft.
- D) prevents stores from exchanging customer information with each other.

Answer: B

Difficulty: 1 Easy

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

234) Which of the following is an advantage of utilizing technology?

- A) Technology increases the cost of production.
- B) Technology reduces the need for a marketing plan.
- C) Productivity increases.
- D) Management becomes isolated from the demands of stakeholders.

Answer: C

Explanation: Technology is everything from phones to software programs that make businesses more efficient and productive. Productivity is the amount of output you generate given the amount of input.

Difficulty: 2 Medium

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

235) Which of the following best describes the main difference between B2B and B2C transactions?

- A) B2B transactions involve transactions where the buyers and sellers are both businesses, while B2C involves transactions between businesses and consumers.
- B) B2B transactions focus on financial transactions while B2C e-commerce focuses on the sale of manufactured goods.
- C) B2B transactions refer to business between nonprofit organizations while B2C e-commerce is carried out by business firms seeking to earn a profit.
- D) B2B transactions involve sales in foreign markets while B2C e-commerce is restricted to domestic markets.

Answer: A

Explanation: B2B stands for business-to-business and B2C stands for business-to-consumer.

Difficulty: 2 Medium

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

236) In recent years, businesses in general have experienced a lasting impact due to the emergence of

- A) motor-related technologies
- B) technologies related to brain studies
- C) counterfeit technologies
- D) information technologies

Answer: D

Explanation: Tools and machines developed throughout history have changed the technological environment. Information technology benefits workers in all industries and provides businesses with the ability to be more responsive to customer needs.

Difficulty: 2 Medium

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

237) NetKnowledge is an online company that provides support services for businesses that need help in setting up and maintaining their websites. NetKnowledge is an example of a company that is engaged in _____ e-commerce.

- A) B2C
- B) N2Y
- C) Y2K
- D) B2B

Answer: D

Explanation: Since NetKnowledge is providing services to other businesses over the Internet, it is engaging in business-to-business (B2B) transactions.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

238) Lux Ladies, Inc., is a company that specializes in expensive and unusual gifts for all occasions. It keeps a large file of information on all of its regular customers, including names, addresses, and type of gifts they have ordered in the past, and the size and frequency of their orders. The electronic file which stores this information is a(n)

- A) spreadsheet.
- B) MP3 file.
- C) PERT file.
- D) database.

Answer: D

Explanation: A database is an electronic storage file where information is kept.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

239) New orders are coming in quickly for SmartTech, and management is confident that new contracts will take them through the next couple of years. The company has started investing again, but not in people. The number of employees is the same as when the company and its competitors faced the Great Recession. Most likely due to _____, the company is producing more product and services with less people.

- A) the lack of skilled labor
- B) new competition
- C) social changes
- D) technological advancement

Answer: D

Explanation: Due to the efficiency of new technology, businesses can produce the same or more, with less labor. As we emerged from the Great Recession, unemployment remained high because firms invested in technology that permitted them to produce at pre-recession levels with fewer employees.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application; Analytic Thinking

Accessibility: Keyboard Navigation

240) Which of the following predictions about the impact of e-commerce on traditional businesses is the most accurate?

- A) E-commerce will have little impact on most traditional businesses, because only a few types of products can be sold effectively online.
- B) Traditional brick-and-mortar firms will enter the e-commerce market by creating their own websites.
- C) E-commerce will prove to be very successful in competing against traditional firms in B2C markets, but will have much less success in B2B markets.
- D) Brick-and-mortar businesses will cease to exist within 20 years.

Answer: B

Explanation: Businesses that provide their customers with quality products at good prices with great service will succeed. Established firms have quickly adapted the technology necessary to compete in the e-commerce market.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

241) Tyler Brown recently noticed that he was seeing more Facebook advertisements than he had in the past even though he had not requested any of them. Which of the following best explains why this is happening?

A) Tyrell was a victim of identity theft.

B) Tyrell gave his personal information to a business, which then traded it to other companies, and these companies then began targeting their advertisements.

C) All businesses routinely have all customers' personal information.

D) Tyrell's accountant gave his information to the marketers.

Answer: B

Explanation: The information Tyler gave a business when he purchased something from it was entered into its database and then traded to another company so that many more retailers know what Tyler buys and from whom he buys it.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

242) Klara wants to compare the price of a wallet she saw at Nordstrom Rack with other stores that may have the same wallet. She locates the product on three different websites, including Amazon. Klara's quest is an example of how customers are using _____ to solve problems.

A) price shopping

B) databases

C) information technology

D) social networking

Answer: C

Explanation: The Internet has led to the growth of e-commerce. Customers can interactively use the Internet to compare items, their quality, and price. It has dramatically changed the shopping experience.

Difficulty: 3 Hard

Topic: The Risks Associated with Information Technology

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

243) Sean McGowan renewed his membership at Bargain Barn. Shortly after renewing the card, Sean started receiving calls from collection agencies claiming that he owed money. He quickly learned that another Sean McGowan also owned a Bargain Barn card and missed many payments. Bargain Barn had linked Sean's personal information with the other Sean McGowan's personal information. Sean experienced

- A) buyer's remorse.
- B) database fraud
- C) information trafficking
- D) identity theft

Answer: D

Explanation: Identity theft is obtaining private information about a person, such as Social Security number and/or credit card number, and using that information for illegal purposes, such as buying things with it.

Difficulty: 3 Hard

Topic: The Risks Associated with Information Technology

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

244) Opportunities and advancements in the technological environment during the past 20 years have opened the doors for a number of products that enhance the lives of consumers. Identity theft and other forms of cybercrime are also by-products of these technological advancements. Which of the following statements describes a form of identity theft?

- A) Smartphone apps that permit the consumer to price compare by scanning the barcode of a product, such as a cell phone.
- B) Hacking into a business's database to obtain customer credit card numbers, and then selling those numbers to others for use.
- C) GPS technology that permits you to find the exact location of a person, by entering that person's phone number into your application.
- D) The application of *cookies* to a consumer's computer system that identify his/her purchasing patterns.

Answer: B

Explanation: It is a criminal offense to participate in unauthorized entry into a company's private (internal) database, where sensitive information, such as credit card numbers, is stored.

Difficulty: 3 Hard

Topic: The Risks Associated with Information Technology

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply; Analyze

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

245) Hussein got a call yesterday from First Bank, the company that issued his credit card inquiring about an \$105.00 charge made in Buenos Aires, Argentina. Upon learning that Hussein was in Detroit and had not made this purchase, the bank quickly took steps to cancel the card and issue a new one. Given the circumstances that Hussein's credit card number had an illegal transaction, he may also want to

- A) check his computer's firewall to make sure it's working.
- B) cancel his account and eliminate credit cards from his life.
- C) change his passwords and store them in a password manager.
- D) diversify his spending habits by using one of several credit cards when making purchases.

Answer: C

Explanation: Taking preventative measures in protecting your passwords is an important step in preventing identity theft.

Difficulty: 3 Hard

Topic: The Risks Associated with Information Technology

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

246) In today's competitive environment, good value means:

- A) making products with zero defects.
- B) superior quality that translates into durable products.
- C) offering the latest trends without seeming like you are over the top.
- D) providing quality products and services at competitive prices.

Answer: D

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

247) Successful businesses are keenly focused on their

- A) customers.
- B) managers.
- C) creditors.
- D) bureaucrats.

Answer: A

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

248) Empowerment means:

- A) giving employees the authority to make decisions.
- B) making certain that employees always defer to management when making decisions.
- C) hiring employees that do not require training due to the costly nature of this activity.
- D) asking employees to write the policies which govern their jobs.

Answer: A

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

249) Empowerment requires managers to focus more on _____ lower-level employees.

- A) directly supervising
- B) training
- C) simplifying the jobs of
- D) controlling and correcting

Answer: B

Difficulty: 1 Easy

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

250) To implement a policy of empowerment, the organization will restructure so that:

- A) managers have more responsibility and employees learn to follow directions.
- B) employees assume more responsibility.
- C) workers agree to work overtime without extra pay.
- D) an entire level of management is removed from the organization.

Answer: B

Explanation: Empowering employees leads to developing entirely new organization structures to meet the changing needs of customers and employees. It may take years to restructure an organization so that managers are willing to give up some of their authority and employees are willing to assume more responsibility.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

251) Which of the following statements about the competitive environment is most accurate?

- A) Firms that produce a quality product will always succeed in the competitive marketplace.
- B) Traditional firms will be unable to successfully compete against the new online firms unless they immediately create a way to reach customers through the Internet.
- C) Firms that empower their employees will continue to perform poorly in the competitive environment.
- D) Companies now have to offer both high-quality products and outstanding service at competitive prices.

Answer: D

Explanation: Companies now have to offer both high-quality products and outstanding service at competitive prices (value).

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

252) In order to compete well and gain market share, contemporary businesses are changing to be more

- A) customer-driven.
- B) cash-driven.
- C) management-driven.
- D) production-driven.

Answer: A

Explanation: Competition among businesses has never been greater. The nature of the competitive environment has encouraged businesses to offer high-quality products and outstanding service. The goal is to be customer-driven.

Difficulty: 2 Medium

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

253) Juan is a salesperson for Floor Masters, Inc. He really appreciates the amount of freedom and authority the company gives its sales people in order to better meet the needs of customers. Juan's experience suggests that Floor Masters practices

- A) centralized management.
- B) fast response theory.
- C) enfranchisement.
- D) empowerment.

Answer: D

Explanation: Empowerment means giving frontline workers more freedom to respond quickly to customer requests.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

254) Gina is working as a marketing trainee for a streaming video company. Her boss called a meeting for next week with one thing on the agenda: "Bring with you your ideas about how we can gain a competitive advantage." Gina plans to provide the following response:

- A) Create a management-driven environment with lots of employee training.
- B) Create a customer-driven environment where we constantly try to create customer value.
- C) Restructure the organization so that there is always a manager on duty to chat with online customers who are having problems with their orders.
- D) Always match the promotions of our competitors; price is the only thing customers care about.

Answer: B

Explanation: Businesses must be customer-driven. While consumers demand high quality, they also have come to expect reasonable prices and exceptional service. In today's highly competitive business environment, providing a quality product is no longer enough. Consumers and industrial buyers now expect more.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

255) Tabitha called in a food order to feed her office team. When she arrived to pick up, it was not what she ordered. The store associate quickly made it right, and offered an extra dozen bagels to make up for the mistake. There was no need to check with the supervisor, as the employee was _____ to make decisions that translate into good customer service.

- A) structured
- B) empowered
- C) asked by the customer
- D) deputized

Answer: B

Explanation: Empowerment means permitting employees to make decisions in the process of doing their job.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

256) Which of the following statements best describes how firms must treat their frontline workers in order to remain competitive? Frontline workers must be _____.

- A) empowered with the authority to respond quickly to the unmet needs of customers
- B) closely supervised to reduce the risk of product liability and discrimination lawsuits
- C) eliminated and replaced with automated equipment whenever possible
- D) relieved of any burden to make a customer decision

Answer: A

Explanation: In order to meet the needs of customers, firms must give their frontline workers more freedom to respond quickly to customer requests. This is the concept of empowerment, which is an important theme throughout the text.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

257) Markus is in charge of production for a family-owned company that makes and sells kitchen utensils. He has stated that speed of delivery is the most important factor for success in the competitive environment. Which of the following would be the best response to Markus?

- A) You are right on target, Markus. Time is money.
- B) You are the man, Markus. As long as our price is competitive, speedy delivery will win in today's changing marketplace.
- C) Well Markus, speed isn't everything. What would exceed our customers' expectations? Some consumers may put more importance on high quality and/or lower prices.
- D) Dude, you couldn't be more wrong. Quality is the name of the game. He who has the best product will win in the competitive environment.

Answer: C

Explanation: Successful organizations are customer-driven. This means that customers' wants and needs are the first priority. All decisions are focused on the blend of price, service, and quality that will best delight the customers.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

258) The statistical study of human population to learn its size, density, and characteristics is called

- A) psychographics.
- B) econometrics.
- C) demographics.
- D) geometrics.

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

259) Businesses collect _____ information on where people live, what they buy, and how they spend their time.

- A) geometric
- B) econometric
- C) demographic
- D) anthropologic

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

260) Diversity is more than recruiting and keeping minorities. Diversity means appreciating and understanding other differences in our customers and in our workforce. The best description of these differences is:

- A) people with disabilities, people with different sexual orientations, religious preferences, and even personality differences such as extraverts and introverts.
- B) gender roles.
- C) surface-level things such as green eyes versus brown eyes.
- D) racial differences and gender differences.

Answer: A

Difficulty: 1 Easy

Topic: Cultural Diversity in the Workplace

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Diversity

Accessibility: Keyboard Navigation

261) Efforts are under way to serve the needs of a diverse population. Diversity means:
A) selling products to immigrants.
B) dealing sensitively with workers and cultures around the world.
C) providing government programs such as free health care for illegal and legal immigrants.
D) meeting employment quotas so that diverse groups are always represented in your workforce.

Answer: B

Difficulty: 1 Easy

Topic: Cultural Diversity in the Workplace

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Diversity

Accessibility: Keyboard Navigation

262) Due to population shifts,
A) businesses that cater to older consumers will see higher growth.
B) businesses that cater to older consumers will see slower growth.
C) businesses that sell electronic devices will see a significant decline.
D) health care will emerge as the only business sector that will grow.

Answer: A

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

263) Which of the following industries will most likely benefit from an aging population?
A) Financial services to help clients plan for their education
B) Home health care businesses
C) Children's day-care centers
D) Auto industry

Answer: B

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

264) The Social Security system:

- A) continues to burden businesses due to the fact that businesses must provide and pay for this benefit for their employees.
- B) met the needs of our nation when it was first introduced, but needs an overhaul.
- C) will continue to serve the needs of U.S. citizens into the distant future, due to the fact that there are so few retirees placing a strain on it.
- D) is failing because the U.S. government failed to invest the money that employees contributed.

Answer: B

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

265) People over 65 years old represent

- A) the unemployed generation.
- B) the single-parent family generation.
- C) a potentially lucrative market.
- D) a group that has never contributed to Social Security.

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

266) Businesses are supporting single-parent families with:

- A) Social Security benefits.
- B) a more lenient welfare system.
- C) more flexible work benefits such as flextime and family leave.
- D) limited benefits due to the declining numbers of these families.

Answer: C

Difficulty: 1 Easy

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 267) Which of the statements about demography is most accurate? Demographic studies:
- A) focus on factors that have great political relevance, but little relevance to business firms.
 - B) suggest that the number of single-parent families is declining.
 - C) provide businesses and individuals with insights into business and career opportunities for the future.
 - D) are an important source of information about changes in health patterns.

Answer: C

Explanation: Demography is the statistical study of the human population to learn its size, density, and characteristics. Demographics can provide important insights into which markets are growing and which are declining.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 268) Which of the following business policies would most likely help a single-parent family?
- A) Requiring the employee to work regularly scheduled hours each day
 - B) Allowing sick leave to be used only if the employee is ill
 - C) Requiring education outside of regular business hours to help the employee advance
 - D) Allowing family leave and flextime

Answer: D

Explanation: Single parents have convinced some businesses to implement programs such as family leave (where workers can take time off to attend to a sick child) and flextime (where workers can come in or leave at selected times).

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

269) The immigrant population (both legal and illegal) is having the most dramatic effect on
A) car and truck makers.
B) mining and minerals industry.
C) schools, hospitals, and other services industries.
D) ice cream and confection industry.

Answer: C

Explanation: The service industry is greatly impacted by immigration. As the immigrant population increases, more social services are needed, particularly health services and education services. The government costs have increased due to the need for accommodations in several different languages.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

270) Retired people will be draining the U.S. economy of wealth. This is due to
A) the fact that most have smoked all their lives and now are accumulating large healthcare bills.
B) the fact there are not enough workers in subsequent generations to support the ongoing drain of older persons into the Social Security system.
C) their lack of interest in supporting restaurants, resorts, educational institutions, and service-intensive companies.
D) the fact that they refuse to use current information technology to improve efficiency.

Answer: B

Explanation: A particular situation that will be negatively impacting the social environment is the number of aging Americans and the drain on the Social Security system. Today's workers pay for today's retirees. When the system was enacted in 1940, there were 42 workers for each retiree. Today the ratio has become much smaller. With baby-boomers retiring, the ratio is projected to drop to two workers for every one retiree by 2030.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

271) If you were to discuss and analyze the social changes affecting the future of business, which of the following statements should be part of that conversation?

- A) It is becoming more difficult to provide expert pre-natal care for women, resulting in a negative impact on the future of childbirth.
- B) The increase in older citizens may impact an employee's take-home pay if programs such as Social Security will need to be funded at a higher level. Skilled employees may require higher wages to make up the shortfall.
- C) With less money to spend, older Americans over 65 will no longer require transportation, entertainment, education, and lodging. This is highly likely to negatively impact these industries.
- D) Business taxes are very likely to spike due to the fact that welfare laws are making it relatively easy for single parents to stay home with their children, rather than find jobs.

Answer: B

Explanation: The increasing rate and number of retiring workers have impacted the U.S. Social Security system put in place by President Franklin D. Roosevelt in the 1940s. It is currently a hot topic affecting the social environment of businesses by how much of their earnings current employees will need to contribute or whether current employees should have to contribute to this system. Many young employees speculate that the Social Security fund will run out of money by the time they are ready to retire.

Difficulty: 2 Medium

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

272) Casey is looking into opening a day care in her community. She is aware of many single-parent families that need a place for their children to stay while they work, but she is concerned about the long-term prospects for such a business. Casey thinks the future of her day care will depend on whether birth rates and the number of single-parent families keep growing. These concerns illustrate how businesses can be affected by _____ trends.

- A) econometric
- B) demographic
- C) holographic
- D) psychometric

Answer: B

Explanation: Demography is the statistical study of the human population to learn its size, density, and characteristics. Birth rates and the number of single-parent families are both demographic factors.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

273) HealthLink Hospital is looking into introducing a flextime program for its employees. A group of workers who would probably benefit from flextime is

- A) workers who do not have access to computers at home.
- B) workers who have little self-motivation to work eight-hour days.
- C) frontline workers who frequently go out to meet with home furnishing designers.
- D) single-parent families.

Answer: D

Explanation: Flextime is the practice of coming in or leaving work at selected times. This allows workers with young children the flexibility they often need.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

274) Pets on the Run, Inc., a mobile pet care company, is planning for the future. As a business student who has studied social trends, which of the following statements reflects the need for Pets on the Run's service in the future?

- A) Mobile pet care will not be needed because the majority of people are working which means that nobody is home.
- B) People will always prefer to take their pets to the veterinary clinic and groomer.
- C) The aging population will be a sizeable market for this firm.
- D) People who would require this service would be higher income individuals. Retired people would not be a market for this firm because they do not have money to care for pets.

Answer: C

Explanation: People are living longer and living longer in their homes. There are many business opportunities to serve the aging population. As pets have become important family members, the aging population is likely to be a sizeable market for pet care and in-home pet care.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

275) The global environment:

- A) is a new frontier.
- B) is far reaching and affects all the other business environments.
- C) is shrinking.
- D) has not affected the United States due to its strong gross domestic product.

Answer: B

Difficulty: 1 Easy

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

276) The threat of terrorism more often _____ the cost of operating a business.

- A) increases
- B) decreases
- C) stabilizes
- D) destabilizes

Answer: A

Difficulty: 1 Easy

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

277) An increase in global trade will:

- A) increase prices.
- B) decrease jobs.
- C) increase political instability.
- D) increase global competition.

Answer: D

Difficulty: 1 Easy

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

278) Globalization

- A) has greatly improved living standards around the world.
- B) has significantly reduced living standards around the world.
- C) has opened doors to only a handful of markets.
- D) has greatly changed companies that hire people to sell products, but not companies that hire people to provide services.

Answer: A

Difficulty: 1 Easy

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

279) Greening refers to

- A) the need for more carbon dioxide in our air.
- B) firms acquiring more greenbacks (U.S. dollars) from world trade.
- C) finding ways to save energy and lessen the harm on our environment.
- D) the agricultural industry's push to develop and produce new green vegetables to feed the world.

Answer: C

Difficulty: 1 Easy

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

280) Efficiency in distribution systems around the world has led to

- A) increased world trade.
- B) decreased world trade.
- C) decreased international competition.
- D) reduced standards of living around the world.

Answer: A

Explanation: Two things that have led to more trade are efficiency in distribution and communication.

Difficulty: 2 Medium

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

281) Airline companies around the world are experiencing increased costs in part due to

- A) decreases in the cost of fuel.
- B) decreasing world trade.
- C) the threat of terrorism.
- D) lack of interest in flying.

Answer: C

Explanation: The threat of terrorism has led to increased costs for airlines. They have had to install stronger cockpit doors, buy more security equipment, and hire new security personnel.

Difficulty: 2 Medium

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 282) War and terrorism in many parts of the world should lead to
- A) a decrease in warring nations.
 - B) consumers spending more because they feel more patriotic.
 - C) an increase in prosperity and peace throughout the world.
 - D) consumer and economic hardship due to increased military spending.

Answer: D

Explanation: War and terrorism will cause hardships for consumers and the economy due to the movement of government funds from social programs and issues to military spending.

Difficulty: 2 Medium

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

283) World trade has both benefits and costs. Which of the following statements best attests to this fact?

- A) The U.S. economy and all businesses that participate in this economy were negatively impacted by recent wars.
- B) The standard of living for citizens in developing nations has significantly decreased due to globalization.
- C) Economists are convinced that global job creation will never occur if our politicians support world trade.
- D) Large companies and small companies agree that the green movement is a global issue. Firms are embracing opportunities to bring value to consumers by creating green products and services.

Answer: D

Explanation: The green movement has provided many opportunities for new business offerings. The other statements are false.

Difficulty: 2 Medium

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

284) The green movement is

- A) a trend that started with the U.S. government.
- B) concerned with depletion of natural resources.
- C) developing more green food products to feed the world's poor.
- D) our concern with the fact that everywhere we look, things are remaining green for longer periods of time.

Answer: B

Explanation: The greening trend is about saving energy and natural resources and concern with what we leave behind.

Difficulty: 2 Medium

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

285) The threat of terrorism

- A) benefits most businesses because just about all companies contribute toward averting these threats.
- B) will certainly affect companies that participate in global trade, but most large U.S. companies do their business domestically.
- C) has increased the quality of life of most people because companies employ more workers when the threat is high, and workers help companies increase profits.
- D) is costly to most firms because it is costly to governments who increase taxes to pay for added protection.

Answer: D

Explanation: The threat of terrorism adds greatly to business costs, including the cost of security personnel, security equipment, and insurance. The government has also experienced huge costs increases because of homeland security issues. While many businesses will struggle in this new environment, others stand to gain; particularly those in the defense industry.

Difficulty: 2 Medium

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

286) According to the box, "Hollywood Climbs the Great Wall," Chinese investors are not only distributing Hollywood films in their home country, they are also

- A) producing films to distribute in South America.
- B) buying companies that manufacture cameras and sound equipment.
- C) creating theatrical education programs in the nation's universities.
- D) investing in American entertainment companies and working to make China a moviemaking power.

Answer: D

Explanation: Chinese investors are not just interested in distributing Hollywood films. They're also investing in entertainment companies in the U.S., like AMC Theatres.

Difficulty: 2 Medium

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Understand

AACSB: Reflective Thinking

287) Tomas recently graduated with honors from his college. He has bragged to his friends that his academic performance has prepared him so well for a successful career that he can find a job with ease and forget school or training in his future. In evaluating the future of the workplace, Tomas is

- A) exactly right. His past performance should carry him to success.
- B) completely wrong. Studies show that a college education has little to do with success.
- C) overconfident. Global competition means that continuous learning will be needed in the future to adapt to rapid changes.
- D) probably right. Specialized training today is a key to continued success in the future.

Answer: C

Explanation: The highly competitive nature of the global economy and rapid changes in technology mean that students must keep their skills and knowledge up to date even after they graduate.

Difficulty: 3 Hard

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

288) Dennis and Donna recently moved to Kansas on a three-acre site. They purchased their home within biking distance to the hospital where they work, and their bikes have room for groceries if they need to purchase food on the way home, although they plan to grow some crops on their own. Dennis and Donna are examples of a growing number of people who

- A) have developed a health-conscious attitude.
- B) want to change their lifestyle to be more in tune to saving energy.
- C) dislike urban centers and wish to live in the country.
- D) stay away from urban areas due to increased threats of terrorist attacks in those localities.

Answer: B

Explanation: An important social trend is saving energy and producing products that cause less harm to the environment, or going green.

Difficulty: 3 Hard

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

289) Which of the following statements describes a recurring theme about today's ecological environment?

- A) Most people agree that there is strong evidence that the temperature of the planet is going down.
- B) Smart businesses know that green business is currently a trend and they should proceed with caution because most green initiatives are more costly than wars and terrorism.
- C) There is a strong push by customers for businesses to develop products and services that clearly save energy.
- D) Clearly, the greening issue is an American trend that has not captured the attention of the international business community.

Answer: C

Explanation: Ecologically, customers want businesses to sell products and services that do not leave a carbon footprint. The greening movement is a well-respected movement with global implications.

Difficulty: 3 Hard

Topic: Globalization

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

290) Bart Broekelman recently returned from Afghanistan where he was a member of the highly skilled special operations forces. He is now back home in the United States where he uses the G.I. Bill in order to go to school. This is one example of

- A) how an event such as a war educates young people about conditions abroad.
- B) the cost of war.
- C) the benefits of war on education.
- D) a squeeze on employer benefits.

Answer: B

Explanation: Wars are very costly. The government diverts funds from other services to pay for wars. In order to provide incentives for young men and women to serve in the military, the government also pays for benefits for those that return.

Difficulty: 3 Hard

Topic: Globalization

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

291) Since the 1800s, the U.S. has evolved

- A) straight from an agrarian economy to an information technology economy.
- B) from a business to business economy to a business to consumer economy.
- C) from an agrarian economy to a manufacturing economy to a service-oriented economy.
- D) from a manufacturing economy to a service economy, to a cottage economy, and now we are trending back to an agrarian economy.

Answer: C

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

292) Businesses that produce and sell tangible products such as steel and machines are part of the
A) manufacturing industry.
B) knowledge-based industry.
C) service industry.
D) production sector.

Answer: A

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

293) The service industry represents about _____ of the value of the U.S. economy.
A) 30%
B) 50%
C) 60%
D) 80%

Answer: D

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

294) Health care, insurance, recreation, and other intangible products are provided by the
A) information-based sector.
B) service industry.
C) industrial sector.
D) manufacturing industry.

Answer: B

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

295) Since the beginning of the 1900s, the agricultural sector of the United States has:
A) seen the number of family farms more than double.
B) become less and less competitive in the global economy.
C) produced a consistent output per farm.
D) experienced a significant drop in employment, mainly because of tremendous improvements in efficiency.

Answer: D

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

296) In recent years, almost all new job creation in the U.S. has occurred in the _____ sector.

- A) service
- B) manufacturing
- C) agricultural
- D) telecommunications

Answer: A

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

297) The new era of business is likely to be dominated by the

- A) service sector.
- B) information-based sector.
- C) manufacturing sector.
- D) continued decline in productivity.

Answer: B

Difficulty: 1 Easy

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

298) Appliance repair firms, tax consultants, law firms, and insurance companies are all business firms that are part of the _____ sector.

- A) production
- B) management
- C) neo-industrial
- D) service

Answer: D

Explanation: All of these companies provide an intangible product. Thus, they are included in the service sector.

Difficulty: 2 Medium

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

299) Manufacturing firms in the U.S. have consistently been laying off workers. The best explanation of this trend is that

- A) firms have been trying to weaken unions by reducing their reliance on labor.
- B) workers in the U.S. have become less productive and are no longer able to compete in the global economy.
- C) firms in many industries have become so efficient that they need fewer workers.
- D) the economy has been in a prolonged depression that has lasted more than a decade.

Answer: C

Explanation: While layoffs in manufacturing seem to imply that American firms are becoming less competitive, the opposite is actually the case. The layoffs are the result of tremendous improvements in productivity in recent years, which have enabled U.S. manufacturing firms to produce more goods with fewer workers.

Difficulty: 2 Medium

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

300) Which of the following best describes recent job growth in the service sector?

- A) The service sector has generated almost all new jobs in the American economy since the mid-1980s, but the rate of job growth in services has slowed in recent years.
- B) Jobs in the service sector have increased slowly over the past decade, but most new jobs are created in the manufacturing industries.
- C) Employment in the service sector has declined in recent years, and this decline is expected to continue.
- D) There has been little change in the number of jobs in the service sector in recent years; however, employment is expected to increase rapidly.

Answer: A

Explanation: The service sector has grown rapidly over the past two decades. However, the growth rate has slowed in recent years.

Difficulty: 2 Medium

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

301) According to the box, "Services Expand the Circular Economy," technology is helping turn products into services by

- A) restricting what customers can and cannot buy for personal use.
- B) producing items that are designed to reach obsolescence quickly.
- C) offering new ways to access items like movies or music and by adding sensors to allow companies to develop new business models.
- D) developing more disposable items.

Answer: C

Explanation: Products we commonly would buy, like DVDs and CDs, are now being streamed on demand.

Difficulty: 2 Medium

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Understand

AACSB: Reflective Thinking

302) Which of the following organizations is an example of the goods-producing sector of the economy?

- A) Samsung Electronics
- B) Princeton University
- C) Bank of America
- D) Barnes Hospital

Answer: A

Explanation: Firms in the goods-producing sector produce tangible products. Of the organizations listed in this question, only Samsung produces a tangible product.

Difficulty: 3 Hard

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

303) Certain industries of the U.S. economy, such as farming and heavy equipment manufacturing, have experienced a significant decline in employment. Which of the following best explains this job loss?

- A) The cause is a decline in the productivity of labor in these industries.
- B) Workers lost these jobs because technological advances increased productivity.
- C) The U.S. economy cannot compete in these industries any longer.
- D) Government regulations have eliminated profit opportunities in these industries.

Answer: B

Explanation: History shows that technology has allowed business organizations to be more productive and therefore require less labor. This scenario first was observed in agriculture as productivity increases resulted in fewer farm jobs. Technological improvements in manufacturing have also resulted in increased productivity and fewer jobs.

Difficulty: 3 Hard

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

304) Nairi is an information savvy, 20-something who is trying to select between two marketing job offers. She can either join a company that makes candles and other home scents, or she can join a company enhancing the LTE phone service. She is quite impressed that the home scent business is growing as the economy is starting to bounce back. She is also aware of

A) declines in the telecommunications business now that new cell phone service companies are springing up everywhere.

B) a decline in the domestic hardware market due to older Americans losing interest in keeping up their living quarters.

C) an information-based global revolution that might make her career at a telecommunications company more lucrative in the long run.

D) an increase in the price of the actual cell phones must indicate that there is still a great demand for phones.

Answer: C

Explanation: Futuristic business professionals believe we are in the midst of an information-based global revolution that will alter all sectors of the economy: agricultural, industrial, and service.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

305) Describe three ways that governments can foster entrepreneurship and encourage the creation of wealth.

Answer: One of the best things government can do is help decrease the risk of starting businesses. This strategy will increase entrepreneurship and subsequently increase wealth. The government can do this by keeping taxes and regulations to a minimum. High taxes and burdensome regulations increase the cost of doing business and undermine incentives to work hard and take risks. Laws that encourage entrepreneurship have been enacted all across the U.S. and the world. Entrepreneurs tend to favor those states and local areas where taxes are lowest and regulations are least restrictive.

Another way for government to actively promote entrepreneurship is to allow private ownership of businesses. This will create profit opportunities for individuals willing to take the risk of starting their own business. Successful new businesses help to create more jobs and income in their communities.

The government can pass laws that enable businesses to write enforceable contracts, thus reducing the risk of operating a business.

The government can establish a currency that is tradable in world markets, making it possible for firms to compete in world markets.

Government can pass and enforce laws that reduce corruption among government officials and businesses. Corrupt practices such as the need to bribe government officials to get contracts approved not only make it more expensive to do business, they also tend to undermine competition by giving the corrupt firms an unfair advantage.

Difficulty: 3 Hard

Topic: The Private Enterprise System; The Impact of Information Technology on Business

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Analyze

AACSB: Analytic Thinking

306) Describe how businesses can use technology to be more responsive to customers.

Answer: Businesses continually search for new technologies that will allow them to be more responsive to customer needs. Things such as bar-code technology, scanners for checkout counters and inventory systems, and databases are proving to be valuable tools for most businesses. Particularly, databases store customer information. They help businesses plan and replenish inventory more expediently, because management can determine exactly what was purchased and how often, and by whom.

The Internet has offered businesses a new way to reach customers, and a way to provide information to customers that help with buying decisions. Both B2B and B2C buyers and sellers converse online. The B2B market continues to expand as quickly as the B2C market.

Businesses are also responsive to customer privacy. Due to the increase in identity theft, companies sometimes promise to not share or sell customer information to other businesses or entities.

Difficulty: 3 Hard

Topic: The Impact of Information Technology on Business

Learning Objective: 01-04 Describe the effects of technology on businesses.

Bloom's: Analyze

AACSB: Analytic Thinking

307) Competition among businesses has never been greater. Identify and describe two ways that businesses can become more competitive.

Answer: Businesses can compete by exceeding customer expectations and empowering employees.

Businesses are becoming more customer-driven. They are putting the wants and needs of customers first, and adjusting their products, policies, and practices to make sure customers are satisfied. Keeping the customer happy means producing a good quality product, providing great service, and keeping prices low.

Businesses also compete by responding to the needs of their employees. In order to be more flexible and more responsive, many businesses have empowered their lower level employees, allowing them to make decisions and respond to the needs of customers without consulting management. For empowerment to work, managers must do a better job training, supporting, and motivating frontline workers. Managers will have to give up some of their authority and find ways to encourage workers to accept more responsibility.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Analyze

AACSB: Analytic Thinking

308) What is demography? Identify two demographic trends in the United States and discuss how they will impact U.S. businesses.

Answer: Demography is the statistical study of populations to learn about their size, density, and characteristics. The United States is experiencing several demographic trends that will have important impacts on how and where we live, what we buy, and how we spend our time:

Respecting Diversity. Diversity has come to mean much more than recruiting and keeping minority and female employees. Many more groups are now included in diversity efforts, including seniors, people with disabilities, people with different sexual orientations, atheists, religious, extroverts, introverts, married people, and singles. Companies have responded to this diverse customer base by hiring a more diverse workforce to serve them. Businesses will need to be sensitive to these cultural changes and find ways to optimize the contributions of people from different ethnic and cultural backgrounds. If handled correctly, this diversity can be a source of strength for American businesses.

Aging Population. There will be a large increase in the number of older Americans that will occur over the next few decades. This is the result of the aging baby-boom generation. As America ages, the markets for products that appeal to elderly consumers will grow. Thus, there should be a boom in the demand for medicine, retirement homes, home health care, and a variety of recreational goods. Retired people will also be draining the economy of wealth. Paying Social Security to senior citizens in the future will draw huge amounts of money from the economy. In the past, the government estimated that there were 42 workers for each retiree. Now it is projected there will be fewer than 2 workers for each retiree by 2030. People are living longer and the baby-boom generation is retiring.

Single-Parent Families. One final trend has been the rapid growth in the number of single-parent households. Single parents have encouraged businesses to offer programs such as flexible work schedules and family leave that will allow the parent to remain home with sick children.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Analyze

AACSB: Analytic Thinking

309) Describe what we mean by greening and thinking green. List five ways that people and businesses are participating in the green movement. List business opportunities that may emerge from this movement.

Answer: Greening refers to a movement to save energy and natural resources, to produce products and services that cause less harm to the environment.

Ways that people can contribute toward sustaining what we have include:

- heating or cooling their dwellings less.
- Using reusable bags when shopping.
- Using light bulbs and other home appliances that take less energy.
- Recycling glass, plastics, papers, aluminum, iron, steel, and other recyclable products.
- Buying products such as autos and trucks that are fuel efficient or hybrids.
- Walking and bicycling when possible.
- Using other sources of energy other than fossil fuels to heat and cool buildings.
- Flushing-out and recycling water.
- Purchasing locally grown produce and other foods to avoid added shipping.

Green business opportunities include businesses that haul away hazardous waste; green restaurants that only use green materials and serve locally grown foods; green construction companies that sell and install energy-saving products, including solar panels and green building materials that meet LEED certification (Leadership in Energy and Environmental Design); and organic farms.

Difficulty: 3 Hard

Topic: Corporate Social Responsibility

Learning Objective: 01-07 Identify what businesses must do to meet global challenges, including war and terrorism.

Bloom's: Analyze

AACSB: Analytic Thinking

310) Trace the evolution of American business. Identify the key trends, and discuss the implications these trends have for the future.

Answer: For most of our nation's history, the agricultural sector led the way. But now, the number of farmers make up less than 1 percent of today's population. This loss of farm workers was not a sign that farming was a declining industry. Rather, it reflected tremendous improvements in efficiency and productivity. Today American agricultural workers are so productive that more food can be produced with a small fraction of the workers employed a century earlier.

Many of the workers displaced by the rising productivity in agriculture found employment in the manufacturing sector, which expanded rapidly during the early 1900s. However, technological breakthroughs in manufacturing led to higher productivity. Eventually manufacturing firms were able to produce more output with fewer workers, and employment in manufacturing began to fall, just as in farming. Again, this was a sign of strength rather than decline.

Many workers who lost jobs in manufacturing found employment in the service sector. Since the mid-1980s this sector has generated almost all of the new job growth in the American economy. This is a very broad sector, and many (but certainly not all) jobs pay quite well. In fact, there are more high paying jobs in service industries than in manufacturing.

Although the service sector is likely to continue to grow, the rate of growth is likely to slow. The U.S. economy now seems to be leaving the service era and moving into an era that can be characterized as an information-based global revolution that will alter all sectors of the economy: agricultural, industrial, and service.

These trends suggest several lessons to keep in mind. First, declines in employment are often a sign of increased efficiency and improved productivity rather than declining competitiveness. Second, declines in employment in one sector do not necessarily mean the economy as a whole will suffer from higher unemployment or a loss of wealth. Historically, as employment in one sector declines, workers can move into other sectors where employment is growing. This transition can be painful, but it may benefit society as a whole and create more wealth in the long run. Finally, the evolution of the American business sector is not over. Workers today must be aware of the possibility of changes in the job market. The best strategy is to remain flexible, watch trends, and be ready and willing to move to where the jobs are.

The current consensus is that we are in the midst of an information-based revolution, where the global economy will set world quality standards for products and services. Businesses and governments will continue to support technologies that provide the necessary information to make better business decisions.

Difficulty: 3 Hard

Topic: The Evolution of Business

Learning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow.

Bloom's: Analyze

AACSB: Analytic Thinking

Mini-Case

Eli Moneybags works for Second Commercial Bank, one of the largest banks in the Southwestern U.S. He is a loan officer, specializing in mortgages. Tio Jaime, Eli's favorite (and wealthiest) uncle, passed away last month and left him a sizable amount of money. Eli is looking at the best way to invest his newly acquired wealth. He is considering many options, ranging from simply putting the money into a savings account to the possibility of starting his own business. Although his bank job pays well and offers pleasant working conditions, Eli is frustrated because he has little freedom or flexibility to deal with customers since every decision he makes must be approved by his supervisor. He is also a bit bored and looking for a new challenge. He thinks he might get a lot of satisfaction from owning his own business. Eli has not made a definite decision yet, but has talked to a lot of people searching for a good idea for a new business. If he can come up with an idea he likes, he might just quit his current job and use his inheritance to go into business for himself!

311) As he starts his research, Eli notices that some opportunities appear to be riskier than others. When considering various opportunities, Eli should keep in mind that

A) he will be better off picking a low-risk business opportunity, since the safest ones are usually the most profitable as well.

B) even though some opportunities appear riskier than others, the level of risk actually varies little from one opportunity to another.

C) high-risk business opportunities often have the potential for high returns as well.

D) government regulations are in place to protect investors and entrepreneurs from failure, so there is no need to worry about risk.

Answer: C

Explanation: In many cases, business opportunities that have the potential for earning high profits also carry a high level of risk. Investors must weigh profit and risk and choose opportunities that offer an acceptable trade-off between the two.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 312) Eli's frustration with his lack of freedom at work indicates that Second Commercial
- A) prefers the use of cross-functional teams rather than individual initiative.
 - B) has not adopted a strategy of empowerment.
 - C) knows that the best way to ensure good customer service is to closely monitor its lower-level employees.
 - D) is trying to please customers as well as other stakeholders.

Answer: B

Explanation: Empowerment means giving lower-level workers the freedom and flexibility to respond quickly to customers without consulting with managers.

Difficulty: 3 Hard

Topic: Competition

Learning Objective: 01-05 Demonstrate how businesses can meet and beat competition.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

313) Two of his friends approached Eli with a proposal to start a language school. Eli is fluent in English and Spanish, and also has an education degree. He is strongly considering the idea but wants to know if there is a growing demand for his services. He learns that an important demographic trend is

- A) the service sector is likely to decline in significance in the next few years.
- B) the number of young children in the U.S. will decrease significantly over the next few years as the population of the country levels off.
- C) the number of immigrants from South and Central America is increasing steadily in his area and across the nation. Professionals in hospitals and schools need to know how to speak Spanish. Immigrants need to know how to speak English.
- D) the number of retirees is decreasing, making way for a younger generation.

Answer: C

Explanation: Legal and illegal immigrants have had a dramatic effect on many cities. The schools and hospitals and other services have been affected. Some local governments are making every effort to adapt, including changing signs, brochures, websites, and forms to include other languages.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-06 Analyze the social changes affecting businesses.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

314) As he explores his options for starting a new business, Eli has looked into the tax implications and government regulations that he would encounter. He wants to maintain an office in a different location from his home. He has discovered that some nearby communities offer tax credits and lower taxes than his town. His decision will be influenced by the _____ environment.

- A) demographic
- B) technological
- C) socio-religious
- D) economic and legal

Answer: D

Explanation: The economic environment includes taxes and government regulations. As the textbook notes: Entrepreneurial decisions about where to locate a business can be strongly influenced by differences in taxes and government regulations.

Difficulty: 3 Hard

Topic: The Private Enterprise System

Learning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

315) If Eli starts his own business, his firm's activities and policies will impact many different groups of stakeholders, including employees, customers, creditors, suppliers, and people living in the community where his business is located. Which of the following statements represents how Eli should deal with these various groups? Eli should

- A) take the needs of all of these groups into account, and try to satisfy each group as much as possible.
- B) concentrate on meeting the needs of his customers, since they are crucial to the success of his business, but ignore the needs of other groups in order to keep costs low.
- C) satisfy whichever group complains the loudest, using the "squeaky wheel gets the grease" philosophy.
- D) concentrate on maximizing his own profits and let everyone else look out for themselves.

Answer: A

Explanation: All of the groups mentioned in this question are stakeholders in a business. They are all affected by the products, policies, and practices of the firm and their concerns need to be addressed.

Difficulty: 3 Hard

Topic: The Factors that Affect the Success or Failure of an Organization

Learning Objective: 01-01 Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation