

Student: _____

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

17. Often the needs of a firm's various stakeholders will conflict.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

24. Social entrepreneurs are people who start and manage organizations that are not-for-profit. Their mission is to help others improve their quality of life.

True False

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

True False

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

True False

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

True False

28. Nonprofit organizations are similar to businesses in that they often provide goods and services that satisfy the needs of society.

True False

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

True False

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

True False

31. By balancing the demands of customers and stockholders, businesses satisfy the demands of all stakeholders.

True False

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

True False

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

True False

34. Robin has started her own Internet consulting firm. 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. Robin is an example of an entrepreneur.

True False

35. Backstreet Books, an eclectic bookstore on a large college campus generated total revenues of \$15 million while incurring expenses of \$12 million. During the year Backstreet Books earned a profit of \$3 million.

True False

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

True False

37. John 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.

True False

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

True False

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

True False

40. People living in San Jose, CA on average earn more money than people living in St. Louis, MO. The citizens of San Jose enjoy a higher standard of living than the citizens of St. Louis.

True False

41. 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.

True False

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

True False

43. It was reported by a Beijing newspaper that China succeeded in improving its people's standard of living and establishing a relatively affluent society in the past seven years. This report clearly indicates that both income levels and the price of goods and services rose significantly during that time period.

True False

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

True False

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

True False

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

True False

47. Women currently own less than ten percent of all businesses.

True False

48. The number of businesses owned by Asians, Hispanics, and American Indians has grown dramatically.

True False

49. Land, sometimes called natural resources, is the most critical factor of production in explaining why some countries are poor while others are rich.

True False

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

True False

51. Tools, machinery, and buildings are examples of capital resources.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

57. Jing is a recent U.S. college graduate who is interested in starting an import tea business. If she follows through with her plans, she will be a pioneer, because only a handful of women choose to start businesses in the U.S.

True False

58. Countries with an inadequately trained work force and few entrepreneurs often achieve the highest levels of income by relying on a large number of workers.

True False

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

True False

60. To realize his passion, Alex recently opened Original Tunes, Inc., a small state of the art 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 that he learned in business school would enhance the creation of wealth: labor and political freedom.

True False

61. Greg recently completed his college degree in construction management. He is heading to Mexico City to start a business developing apartment dwellings. After researching several potential areas, he chose Mexico City 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.

True False

62. Jared is supposed to be cramming for finals but his mind keeps wandering to the Colorado slopes. Several years ago, his Uncle Mike made it big and now owns a ski lodge just north of Aspen. He promised Jared 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 dreams about the opportunity to be his own boss, reality bites as Jared scans his business book and reads, "freedom to succeed also means freedom to fail."

True False

63. Well-managed businesses will grow and prosper regardless of the business environment in which they operate.

True False

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

True False

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

True False

66. 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.

True False

67. Countries that provide little or no government involvement provide the best environment for competitive businesses.

True False

68. 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.

True False

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

True False

70. 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.

True False

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

True False

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

True False

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

True False

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

True False

75. Several years ago, the government of the small nation of Allegro 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 desired to rapidly improve people's access to phone service, its best course of action would involve selling the telephone company to private investors.

True False

76. The government of the nation of Bingland is trying to achieve a high quality of life by imposing strict regulations to protect the environment and ensure safe working conditions in factories and mines. The government also has established ambitious programs to help the poor, financing them by setting high tax rates. These efforts by Bingland's government should create an atmosphere that encourages entrepreneurship.

True False

77. Though it has received a lot of attention, the development of the Internet has had less of an impact on the way businesses operate than many other technological changes.

True False

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

True False

79. Technology can help businesses become more efficient and productive.

True False

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

True False

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

True False

82. Effectiveness means producing the desired result.

True False

83. Technology affects people in most, but not all industries.

True False

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

True False

85. E-commerce is the buying and selling of goods over the Internet.

True False

86. The B2B Internet market consists of selling goods and services to consumers.

True False

87. The rise of Internet marketing has become particularly important in doing business in the B2B markets.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

95. The main difference between B2C and B2B e-commerce is that B2C uses only the Internet, while B2B combines e-commerce with traditional (bricks-and-mortar) outlets.

True False

96. There is less risk involved in starting an e-commerce only business than there is in trying to add e-commerce to a traditional (bricks-and-mortar) store.

True False

97. One of the major advantages to firms involved in e-commerce is that the technology is still so new that the Internet-based firms face very little competition.

True False

98. Although the Internet is exciting, very few people have access to it outside the U.S.

True False

99. Niki has joined with several other investors to form a new company that sells foot care products to consumers over the Internet. Niki has invested in a B2C e-commerce company.

True False

100. Over the past several years, workers in the small nation of Rainland have enjoyed an increase in the number of holidays and a reduction in the average length of the workday that has reduced the total number of hours they work each year. However, the output per worker in Rainland is higher now than it was before the reduction in hours. These facts suggest that productivity in Rainland has increased.

True False

101. SleekWrap is a company that 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 business customers through its website. This is an example of the largest and most important type of e-commerce transaction.

True False

102. 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.

True False

103. With the emergence of the Internet, Jasmine finds it easy to do all her gift buying online. She takes comfort in the fact that new technologies if installed properly are seldom used in unethical ways.

True False

104. Technological innovation has a ripple effect. With the advent of the Internet, Tyler Hanley, a certified techno-nerd, is being courted by companies to write the next generation of antivirus software. He tells us its big business!

True False

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

True False

106. Producing a high quality product will ensure success in the competitive environment.

True False

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

True False

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

True False

109. Traditional businesses have a managerial focus rather than a customer focus.

True False

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

True False

111. A policy of empowerment encourages managers to make decisions quickly for their front line employees.

True False

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

True False

113. The goal of empowerment in the work environment is to prevent mistakes. Mistakes can be prevented by giving management more control over the actions of lower-level workers.

True False

114. 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.

True False

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

True False

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

True False

117. Bruno and Gino are worthy competitors in the bakery business in a small upscale resort town. Gino recently negotiated a contract with a supplier for really cheap cooking oil. He knows that bakery customers want cheap products. In this competitive environment, keeping the price down is all that matters.

True False

118. Brett runs a lawn care service. Although he and his employees could service eight households in one day, he averages six yards per crewmember, per day. Brett recently restructured his work crew and provided each cutter with an incentive to acquire two new customers each month through customer referrals. As a recent business graduate, you tell him he's probably on the right track.

True False

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

True False

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

True False

121. Demographic changes create new business opportunities.

True False

122. Diversity groups identified in the market today include extroverts, introverts, atheists, and the devout.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

130. Workplace changes due to the rise of single-parent families create many job opportunities in day care, counseling, and other related fields.

True False

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

True False

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

True False

133. Demographic trends suggest that businesses will benefit from offering flexible work schedules, eldercare, and childcare to help employees balance the demands of job and family.

True False

134. Allowing today's young people to invest part of their Social Security money in personal savings accounts makes sense since in the future less money will be coming into Social Security than will be going out.

True False

135. The "pay-as-you-go" Social Security system will ensure that the young people of today will have Social Security benefits in the future when they retire.

True False

136. Xavier, 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 60 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.

True False

137. Sue is a single mother with two small children. Her employer is considering providing family leave. Since Sue is a single mom with small children, she is unlikely to benefit from this program.

True False

138. Rob is an emergency room nurse at a local hospital in Texas. On a weekly basis, he will serve a number of patients who are not legally U.S. citizens. Many of them are giving birth to babies. Fortunately, Rob speaks enough Spanish to communicate with the patients. Rob is experiencing the realities of the social environment in some states.

True False

139. Globalization has increased among nations.

True False

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

True False

141. Improved distribution systems has led to more global trade.

True False

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

True False

143. Globalization has greatly increased living standards around the world.

True False

144. China and India have become major U.S. competitors.

True False

145. Companies from the United States are building many of their products overseas, and unfortunately foreign companies are not building products in the United States.

True False

146. Because of increased trade, there is now an increased interdependence in the world.

True False

147. The threat of terrorism increases the costs of operating most businesses.

True False

148. Wars are costly to all companies.

True False

149. U.S. exports are expected to increase under new trade agreements leading to more U.S. jobs.

True False

150. The war on terrorism has had a significant effect in drawing many resources from the U.S. economy and led to many additional costs for businesses.

True False

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

True False

152. 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.

True False

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

True False

154. The evidence for climate change is questionable. Well-known U.S. companies are taking a wait-and-see approach toward addressing climate change.

True False

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

True False

156. Lucy owns a restaurant in Los Angeles. She heard on the radio 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 L.A.

True False

157. After several years of study as a part-time student, Alex recently earned a degree in marketing at a local college. The growth in global markets may increase Alex's job opportunities, but it will also require him to continually update his skills or seek further education.

True False

158. Maya is an engineer for Windy Ridge, Inc. a maker of wind turbines. Recently, a large company 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.

True False

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

True False

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

True False

161. Technology helped the manufacturing industry to become more productive.

True False

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

True False

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

True False

164. The advice provided by a marriage counselor is an example of the service industry.

True False

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

True False

166. 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.

True False

167. There are more high-paying jobs in the service sector than in the goods-producing sector.

True False

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

True False

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

True False

170. 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.

True False

171. 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.

True False

172. 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.

True False

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

True False

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

True False

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

True False

176. An activity which seeks to earn a profit by providing a good or service is known as a(n):

- A. industry.
- B. corporation.
- C. business.
- D. service.

177. _____ is the amount a business earns after deducting what it spends for salaries and other expenses.

- A. Profit
- B. Revenue
- C. Interest
- D. Dividends

178. A business incurs a _____ if its costs and expenses exceed its revenues.

- A. loss
- B. liability
- C. debit
- D. dividend

179. _____ 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

180. 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

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

- A. manager
- B. entrepreneur
- C. private investor
- D. stakeholder

182. Starting a business always involves _____.

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

183. 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

184. _____ 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

185. 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.

186. 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.

187. 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 its owners and organizers.
- C. nonprofit organizations do not seek a profit for its owners or organizers.
- D. nonprofit organizations do not file tax returns.

188. Last year, Adventure Enterprises reported revenues of \$24 million while its total expenses were \$10 million. Based on this information, Adventure reported:

- A. profits of \$14 million.
- B. profits of \$34 million.
- C. losses of \$14 million.
- D. losses off \$34 million.

189. 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.

190. Which of the following is the best example of a business whose goal is to earn a profit?

- A. A community college
- B. The Salvation Army
- C. Boy Scouts of America
- D. Best Buy, Inc.

191. 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 ten 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.

192. Companies that outsource research and development and design jobs:

- A. have always made a wise decision.
- B. will be more profitable in the long run.

- C. run the risk of overseas companies using the information to produce competitive products.
- D. always invest in the overseas companies that take on these jobs.

193. Honda and Toyota have used *insourcing* for years to produce 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.

194. 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

195. 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.

196. 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.

197. 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 of their stakeholders.
- D. exclusively their owners, since they are ultimately the ones who pay the bills.

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

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

199. Ross 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. Ross 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.

200. 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.

201. Jane's income has remained stable over the past few years while the prices of things she buys have gone up. Nevertheless, Jane feels better off because the environment is cleaner, the crime rate has declined, she has more leisure time, and the quality of medical care has improved. If Jane's experience is typical, we can conclude 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.

202. Eve and her three college friends enjoy perfumes. As a special gift to each of them last holiday season, Eve 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 on the Internet. Recently, she is filling orders from her website, and turning a profit. Eve is proof that:

- A. not 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.

203. Which of the following statements about social entrepreneurs (such as Muhammad Yunus who won the Nobel Prize) describes their challenge?

- A. Social entrepreneurs may switch social causes several times before finding their niche.
- B. Social entrepreneurs understand that their business environments are less dynamic than other businesses, especially during a recession.
- C. Social entrepreneurs use different business skills than entrepreneurs who start other businesses. They should focus on a different educational curriculum than other entrepreneurs.
- D. Using the same business skills as other entrepreneurs, social entrepreneurs develop businesses to improve the skill(s) and/or quality of life of others.

204. Planet Earth Developers is a large nation-wide construction company with home offices in Lansing, MI. The local media often remarks about the pristine landscaping that surrounds the home office that sits on a 30-acre complex. At the back end of the complex are several large warehouses and garages that hold large equipment. The grounds surrounding these warehouses look like a well-maintained park. Across the street from the garages are several shops and businesses. The CEO, "Planet Paul" (as his employees call him), often talks about how thankful he is that the town permits him to store the company equipment at that site, and vows to always maintain the premises for his neighbors (the other businesses that thrive in that area), not to mention that he asks 100 employees to come to work there everyday. Which of the following statements describes Planet Paul's business philosophy?

- A. Planet Paul is a nice guy whose company made a lot of money, so he is willing to spread it around.
- B. Planet Paul understands that even though it may cost a little more, stakeholder considerations are very important if you want your business to thrive.
- C. Planet Paul is more concerned about town politics than about the company profits. He should ask his employees if they would rather have that money in their pockets than on the lawns.
- D. Planet Paul is taking a business risk that his trucks and equipment will not make too much noise as they enter and exit the garages.

205. The growth of Hispanic owned businesses:

- A. remained relatively constant during the past decade.
- B. slowly increased during the past decade.
- C. increased dramatically in recent years.
- D. decreased slightly compared to other minority groups who have started businesses.

206. The number of businesses owned by Hispanics and Asians has:

- A. has decreased after the 9-11 terrorist attack.
- B. slowly increased.
- C. significantly increased.
- D. remained relatively constant.

207. 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

208. 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

209. Which of the following is a factor of production?

- A. bonds
- B. money
- C. knowledge
- D. service

210. 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.

211. 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.

212. The _____ 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

213. 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.

214. 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

215. Leanne owns a nursery business. The trucks, handcarts, and forklift she purchased for the business are called _____ investments.

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

216. 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

217. When we compare the factors of production in wealthy and 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.

218. 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.

219. 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.

220. Nolivia is a small and poor nation, but its current president has a genuine desire to create more wealth for Nolivia citizens. The president has received recommendations from several of her advisors. Which of the following recommendations is likely to create the most wealth for Nolivia?

- A. Acquire more land by invading a neighboring country that is even poorer and weaker than Nolivia.
- 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 Nolivia businesses from foreign competition.

221. Ben and Chris combined their love of hockey with a business venture. They purchased a small portable cart and began selling hockey memorabilia outside of the hometown hockey arena. Their first year went well, but this past year has been a real struggle. Due to poor economic conditions including a loss of jobs, ticket sales at the arena are down, which has significantly hurt their sales as well. As a recent business school graduate, you explain to Ben and Chris:

- 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.

222. Nick 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.

223. 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. It's strategy was 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.

224. According to the "**Spotlight on Small Business**" box for Chapter 1, Lisa Knoppe Reed started a unique business called "Art for a Cause". Which of the following statements accurately conveys the climate surrounding women-owned businesses?

- A. Although it would make an ideal world, it remains difficult to make a living when you combine social causes and business ventures.
- B. There are still tremendous stigmas about women owning businesses. The few women who attempt to run their own business each year is indicative of these cultural problems.
- C. It is difficult enough for women to be entrepreneurs. When women combine social causes with their business skills, the business failure rate intensifies.
- D. The number of women owned businesses has increased significantly. As a social entrepreneur, Lisa's business model proves that one can be successful and also improve the lives of others.

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

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

226. 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.

227. 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

228. 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.

229. 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.

230. The capitalist system relies heavily on:

- A. protectionist policies with respect to world markets.
- B. minimizing government intervention in corrupt business practices.
- C. making sure that currencies are never under-valued.
- D. honesty, integrity, and high ethical business standards.

231. 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.

232. 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.

233. When corruption is present in the business environment:

- A. company leaders can 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.

234. Questionable business practices such as those followed by many mortgage lending companies in the past few years:

- A. encouraged investors to increase their stock market holdings.
- B. fundamentally weakened the entire economic environment.
- C. helped retired employees at the expense of current employees.

D. resulted from too much government regulation.

235. 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.

236. A recent New York Times article about Bernard 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.

237. Adam Ripley sells custom bicycles. Adam buys several bike parts including wheels and tires from the Good Treads Company. Although several government-supported regulations help Adam in his business, regulations that make it easy for Adam's 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.

238. Jay and Jim Spears own a lawn irrigation system business. They perform installations and maintenance of these systems. Several of their customers are golf courses, but they serve a large group of residential customers as well. When they started the business ten years ago, they made a pact to always operate within the legal limits of the law, but lately, the competition is eating them alive. Local competitors have hired illegal immigrants to perform the manual labor. 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 for small businesses. Jay and Jim do 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 this partnership that:

- A. Taxes only need to be paid for the owners.
- B. They are not only taking a chance that a bigger problem may occur, they are indirectly setting the ethics code for their firm.
- 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.

239. The Internet and 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

240. Technology affects people in:

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

241. 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.

242. 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.

243. _____ 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

244. _____ means producing the desired result.

- A. Effectiveness

- B. Technology
- C. E-production
- D. Productivity

245. _____ means producing items using the least amount of resources.

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

246. The two main types of e-commerce are:

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

247. When businesses sell to other businesses over the Internet, these transactions are known as:

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

248. Companies that sell goods to consumers over the Internet are engaging in:

- A. B2C transactions.
- B. IOU transactions.
- C. B2B transactions.
- D. Y2K transactions.

249. 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.

250. 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

251. _____ 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

252. One advantage of a database is:

- A. it 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. it creates efficiency in that the store can quickly replenish items that are purchased.
- C. it prevents identity theft.
- D. it prevents stores from exchanging customer information with each other.

253. 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.

254. Which of the following best describes the main difference between B2B and B2C transactions? B2B transactions:

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

255. 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

256. Ntercon is an Internet-based company that provides online support services for businesses that need help in setting up and maintaining their websites. Ntercon is an example of a company that is engaged in:
- A. B2C e-commerce.
 - B. N2Y e-commerce.
 - C. Y2K e-commerce.
 - D. B2B e-commerce.
257. Life of Luxury, Inc., is a mail order firm that specializes in expensive and unusual gifts for all occasions. The company keeps a large file of information on all of its regular customers, including names, addresses, 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.
258. Which of the following predictions about the impact of e-commerce on traditional businesses is likely to be most accurate?
- A. E-commerce will have little impact on most traditional businesses, because only a few types of products can be sold effectively over the Internet.
 - B. Traditional brick-and-mortar firms will enter the e-commerce market by creating their own web sites.
 - 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 twenty years.
259. Tyrell recently noticed that he was receiving several catalogs and direct mail 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 online theft.
 - B. Tyrell gave his personal information to a business, which then traded it to other companies and these companies then began sending him catalogs.
 - C. All businesses routinely have all customers' personal information.
 - D. Tyrell's accountant gave his information to the direct mail marketers.
260. Gabriella wants to compare the price of a designer bag she saw in a local department store, with other stores that may have the same. She locates the product on three different websites on the Internet, and then stumbles on a site that does the price shopping for her. Gabriella's quest is an example of how customers are using _____ to solve problems.
- A. price shopping
 - B. databases
 - C. information technology
 - D. social networking
261. Charles Malone recently renewed his card membership at DiscountMania. The card has an annual \$40 fee, but Charles believes that it pays for itself because he receives good prices on electronics, contact lenses, and even tires for his car. Shortly after renewing the card, Charles began receiving calls from collection agencies claiming that he owed money. With the help of others, he learned that another Charles Malone also owned a DiscountMania card, and wrote checks with insufficient bank funds when making purchases. DiscountMania had linked Charles' personal information with the other Charles Malone's personal information. Charles experienced _____.
- A. Buyer myopia
 - B. Database fraud
 - C. Information trafficking
 - D. Identity theft
262. Marla Staples is concerned with identity theft. One of the ways that she can protect her information from leaking-out to the wrong hands is:
- A. Avoid all e-commerce transactions because this is the only types of buying transactions where websites and others handle sensitive, personal information.
 - B. Install antivirus software, firewalls, and anti-spyware software on her computer.
 - C. Limit her purchases with vendors that she knows do not store her information in a database.
 - D. Limit her travels to the United States because identity theft is an international problem.
263. Andy Blake got a call yesterday from Planet Bank, the company that issued his credit card inquiring about an \$85.00 charge made in Caracas, Venezuela. Upon learning that Andy had not made this purchase, the Bank quickly took steps to cancel the card and issue a new one. Given the circumstances that Andy's credit card number had an illegal transaction, Andy may also want to:
- A. Check his computer's firewall to make sure its working.
 - B. Cancel his account with Planet Bank, altogether and eliminate credit cards from his life.
 - C. Check his credit report.
 - D. Diversify his spending habits by using one of several credit cards when making purchases.
264. 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.
265. Successful businesses are keenly focused on their:

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

266. 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.

267. Empowerment requires that managers focus more on _____ lower-level employees.

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

268. 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.

269. Which of the following statements about the competitive environment is most accurate?

- A. Firms that produce a quality product will almost always succeed in the competitive marketplace.
- B. Traditional firms will be unable to successfully compete against the new Internet firms unless they immediately create a way to reach customers through this technology.
- 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.

270. 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

271. Lamar is a salesperson for Bi-State Direct. He really appreciates the amount of freedom and authority Bi-State gives its sales people in order to better meet the needs of customers. Lamar's experience suggests that Bi-State practices:

- A. Centralized management.
- B. Fast response theory.
- C. Enfranchisement.
- D. Empowerment.

272. Greg is working as a marketing trainee for an online Music CD and video retailer. His 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." Greg 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 that are having problems with their orders.
- D. Always match the promotions of our competitors. Price is the only thing customers care about.

273. Which of the following statements best describes how firms must treat their front-line workers in order to remain competitive? Front-line 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 law suits
- C. eliminated and replaced with automated equipment whenever possible
- D. relieved of any burden to make a customer decision

274. Max is in charge of production for a family-owned firm that makes and sells sports gloves including baseball gloves, softball gloves, golf gloves, and more. 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 Max?

- A. You are right on target, Max. Time is money.
- B. You are the man, Max. As long as our price is competitive, speedy delivery will win in today's changing marketplace.
- C. Well Max, 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.

275. The statistical study of human population to learn its size, density, and characteristics is called:

- A. psychographics.
- B. econometrics.

- C. demography.
- D. geometry.

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

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

277. Diversity is more than recruiting and keeping minorities and women. Diversity means appreciating and understanding other differences in our customers and in our workforce. The statement that best describes this differences is:

- A. disabilities, sexual orientation, religious preferences, and even personality differences such as extroverts and introverts.
- B. gender roles.
- C. surface level things such as green eyes versus brown eyes.
- D. racial differences and gender differences.

278. Efforts are underway 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.

279. Due to population shifts,

- A. businesses that cater to older consumers will see exceptional growth.
- B. businesses that cater to older consumers will see slower growth.
- C. businesses that sell electronic devices will see a significant decline.
- D. healthcare will emerge as the only business sector that will grow.

280. Which of the following industries will 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

281. 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 conceived, 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.

282. People between the ages of 65 and 74 represent:

- A. the unemployed generation
- B. the single-parent family generation
- C. a lucrative market
- D. a group that has never contributed to social security

283. Businesses are supporting single-parent families with:

- A. social security benefits.
- B. a more lenient welfare system.
- C. more flexible work benefits such as flex time and family leave.
- D. limited benefits due to the declining numbers of these families. Five-member families are steadily growing.

284. 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 will decline in the future.
- 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.

285. 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.

286. The immigrant population (both legal and illegal) is having a dramatic effect on

- A. car and truck makers
- B. mining and minerals industry
- C. schools, hospitals and other services type industries
- D. ice cream and confection industry

287. 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 unwilling to pay for healthcare in order to stay alive.
 - 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.
288. Jill is looking into the possibility of opening up a day care center in her community, because she is aware of many single-parent families that need a place for their children to stay while the parents work. She is concerned about the long-term prospects for such a business. Jill believes the future of her center will depend on whether birth rates and the number of single-parent families remain high. These concerns illustrate how businesses can be affected by:
- A. econometric trends.
 - B. demographic trends.
 - C. holographic trends.
 - D. psychometric trends.
289. St. Claire Hospital is considering a program that would allow some of its workers to use flextime. One 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. Front-line workers who frequently go out to meet with home furnishing designers.
 - D. Single-parent families.
290. Preferred Pet Care, Inc., a mobile veterinary 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 Preferred Pet Care'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.
 - 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.
291. 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.
292. The threat of terrorism more often _____ the cost of operating a business.
- A. increases
 - B. decreases
 - C. stabilize
 - D. destabilizes
293. The war on terrorism will:
- A. improve the confidence level of most consumers.
 - B. hurt the profitability of every business operating in the U.S.
 - C. help some businesses and hurt others.
 - D. stabilize the business sector.
294. An increase in global trade will:
- A. increase prices.
 - B. decrease jobs.
 - C. increase political instability.
 - D. increase global competition.
295. 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 for companies that hire people to provide services.
296. Greening refers to:
- A. the need for more carbon dioxide in our air.
 - B. firms acquiring more green backs (U.S. dollars) from world trade.
 - C. finding ways to lessen the harm on our environment.
 - D. the agricultural industry's push to develop and produce new green vegetables to feed the world.
297. 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.

298. 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
299. The war on terrorism in many parts of the world should lead to _____.
- A. an 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
300. The green movement is:
- A. a trend that started with the U.S. government.
 - B. concern with depletion of natural resources and leaving a large carbon footprint.
 - 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.
301. Mark 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 forget school or training in his future. In evaluating the future of the workplace, Mark 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. over confident. 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.
302. 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.
303. Laura and Tim McNash recently moved to North Carolina on a three-acre home site. They purposefully purchased their home within biking distance to the university where they are both employed, and their bikes each have room for two cloth bags for groceries if they need to purchase food on the way home, although they plan to grow much of their own. Laura and Tim are examples of a growing number of young 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.
304. 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 that businesses 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.
305. Tyler Samuels recently returned from the war in Iraq where he was a member of the highly skilled special operations forces. He is now in the United States where he collects 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.
306. During the past 150 years, the U.S. has evolved from:
- A. An agrarian economy to an information technology economy.
 - B. A business to business economy to a business to consumer economy.
 - C. An agrarian economy to a manufacturing economy to a service oriented economy.
 - D. A manufacturing economy to a service economy, to a cottage economy, and now we are trending back to an agrarian economy.
307. 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.
308. The service industry represents _____ of the value of the U.S. economy.
- A. about 30%
 - B. under 50%
 - C. about 70%

D. about 50%

309. Health care, insurance, recreation and other intangible products are provided by the:

- A. global sector.
- B. service industry.
- C. industrial sector.
- D. manufacturing industry.

310. 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.

311. In recent years, almost all new job creation in the United States has occurred in the _____ sector:

- A. service
- B. manufacturing
- C. agricultural
- D. telecommunications

312. 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.

313. Appliance repair firms, tax consultants, law firms, and insurance companies are all business firms that are part of the:

- A. production sector.
- B. management sector.
- C. neo-industrial sector.
- D. service sector.

314. In recent years, manufacturing firms in the United States have laid 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.

315. 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.

316. Which of the following organizations is an example of the goods-producing sector of the economy?

- A. Ford Motor Company
- B. Florida State University
- C. Children's Hospital
- D. H & R Block Tax Consulting

317. 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.

318. Jenna Leigh is an information savvy, 20-something person who is trying to select between two marketing job offers. She can either join a company that makes small hammers and screwdrivers for the do-it-yourself hardware store business, or she can join a company developing the fourth generation cell phone service. She is quite impressed that the hardware business is growing quite nicely in China, Mexico, and India where people are starting to expand their living spaces. 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.

319. The F.B.I. has a DNA database with over 6.7 million samples. It is expected to increase by another 1.2 millions samples by the year 2012. In the past, collection was limited to convicted persons, but now they will begin collecting samples from persons detained and arrested prior to conviction. This includes immigrants. The F.B.I. believes that expanding their collection to include persons presumed innocent will help in the solving of violent crimes. This new strategy is:

- A. not considered an invasion of privacy because the government already has most of our information.
- B. pointing toward the F.B.I. becoming a private security company and operating for a profit.
- C. suspect because DNA is not yet proven to be a definitive way of catching criminals, and it leads us to becoming a genetic surveillance society.
- D. an example of an outcome of the information-based revolution discussed in business classes.

320. Describe several ways that governments can foster entrepreneurship and encourage the creation of wealth.

321. Describe how businesses can use technology to be more responsive to customers.

322. Competition among businesses has never been greater. Identify and describe several ways that businesses can become more competitive.

323. What is demography? Identify several demographic trends in the United States and discuss how they will impact U.S. businesses.

324. Describe what we mean by greening and thinking green. List several ways that people and businesses are participating in the green movement. List business opportunities that may emerge from this movement.

325. Trace the evolution of American business. Identify the key trends, and discuss the implications these trends have for the future.

Mini-Case

Sergio Gonzales is employed by Bigbux National Bank, one of the largest banks in the Midwest. He is a loan officer, specializing in home equity loans. Tio Raul, Sergio's favorite (and wealthiest) uncle, passed away last month and left Sergio a sizable amount of money. Sergio 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, Sergio is frustrated because he has little freedom or flexibility to deal with customers since every decision he makes must be approved by his supervisor. Besides, he's a bit bored and looking for a challenge. He thinks he might get a lot of satisfaction from owning his own business. Sergio 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!

326. As he explores his options, Sergio notices that some opportunities appear to be riskier than others. When considering various opportunities, Sergio 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.

327. Sergio's frustration with his lack of freedom and flexibility at work indicates that Bigbux:

- 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.

328. Two of his friends approached Sergio with a proposal to start a language school. Sergio is fluent in English and Spanish, and also has an education degree. Sergio is strongly considering the idea but also 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.
329. As he explores his options for starting a new business, Sergio 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. Sergio's decision will be influenced by the:
- A. demographic environment.
 - B. technological environment.
 - C. socio-religious environment.
 - D. economic and legal environment.
330. If Sergio starts his own business, his firm's activities and policies will impact many different groups and individuals, including employees, customers, creditors, suppliers, and people living in the community where his business is located. Which of the following statements represents how Sergio should deal with these various groups? Sergio 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.

1 KEY

1. (p. 4) Businesses provide goods, jobs, and services to others.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #1
Topic: Entrepreneurship and Wealth Building

2. (p. 4) Businesses seek to earn a profit by providing goods and services to others.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #2
Topic: Entrepreneurship and Wealth Building

3. (p. 5) Revenue is the amount a business earns above and beyond what it spends for expenses and costs.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #3
Topic: Revenues, Profits, and Losses

4. (p. 5) Profit is the amount of money a business earns above and beyond what it spends for salaries and other expenses.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #4
Topic: Revenues, Profits, and Losses

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

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #5
Topic: Matching Risk with Profit

6. (p. 5) An entrepreneur risks time and money to start and manage a business.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #6
Topic: Matching Risk with Profit

7. (p. 5) If a business's costs and expenses are greater than its revenue, it will suffer a loss.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #7
Topic: Revenues, Profits, and Losses

8. (p. 5) Profits of a business include the salaries paid to its employees.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #8
Topic: Revenues, Profits, and Losses

9. (p. 5) Revenue is the total amount of money a business takes in during a given period by selling goods and services.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #9
Topic: Revenues, Profits, and Losses

10. (p. 5) Risk is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #10
Topic: Matching Risk with Profit

11. (p. 6) The United States has one of the highest standards of living in the world.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #11
Topic: Standard of Living and Quality of Life

12. (p. 6) The term "standard of living" refers to the amount of debt people can incur on a given income.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #12
Topic: Standard of Living and Quality of Life

13. (p. 6) Health care availability, a clean environment, and good schools all contribute to a high quality of life.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #13
Topic: Standard of Living and Quality of Life

14. (p. 6) Maintaining a high quality of life requires the combined efforts of businesses, nonprofit organizations, and government agencies.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #14
Topic: Standard of Living and Quality of Life

15. (p. 6) Stakeholders are all the people who stand to gain or lose by the policies and activities of a business.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #15
Topic: Responding to the Various Business Stakeholders

16. (p. 6) Stakeholders include customers, employees, stockholders, suppliers, dealers, bankers, government officials and environmentalists.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #16
Topic: Responding to the Various Business Stakeholders

17. (p. 6) Often the needs of a firm's various stakeholders will conflict.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #17
Topic: Responding to the Various Business Stakeholders

18. (p. 6) Outsourcing means selling goods and services to people in other countries.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #18
Topic: Responding to the Various Business Stakeholders

19. (p. 6) Outsourcing has caused many complications in many states where jobs have been lost to overseas companies.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #19
Topic: Responding to the Various Business Stakeholders

20. (p. 7) "Insourcing" refers to the practice of global companies setting up design and production facilities in the United States.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #20
Topic: Responding to the Various Business Stakeholders

21. (p. 7) The knowledge and skills learned in business courses are seldom relevant to students who work for nonprofit organizations or volunteer groups.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #21
Topic: Using Business Principles in Nonprofit Organizations

22. (p. 7) Businesses and nonprofit organizations often strive to accomplish the same objectives.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #22
Topic: Using Business Principles in Nonprofit Organizations

23. (p. 7) Nonprofit organizations use financial gains to meet stated social or educational goals of the organization rather than personal profit.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #23
Topic: Using Business Principles in Nonprofit Organizations

24. (p. 7) Social entrepreneurs are people who start and manage organizations that are not-for-profit. Their mission is to help others improve their quality of life.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #24
Topic: Using Business Principles in Nonprofit Organizations

25. (p. 4) The only real purpose of a business is to make money for entrepreneurs.

FALSE

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #25
Topic: Entrepreneurship and Wealth Building

26. (p. 5) The only way a firm can increase its profits is to increase its sales revenue.

FALSE

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

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #26
Topic: Revenues, Profits, and Losses

27. (p. 5) The amount of profit or loss earned by a business can be found by subtracting the firm's expenses from its revenues.

TRUE

Revenues minus expenses = profits.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #27
Topic: Revenues, Profits, and Losses

28. (p. 7) Nonprofit organizations are similar to businesses in that they often provide goods and services that satisfy the needs of society.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #28
Topic: Using Business Principles in Nonprofit Organizations*

29. (p. 7) Unlike businesses, employees of nonprofit organizations are not required to learn the business skills of information management, marketing, or financial management.

FALSE

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #29
Topic: Using Business Principles in Nonprofit Organizations*

30. (p. 6) Business decisions should consider the interests of customers, employees, suppliers, government leaders, and stockholders.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #30
Topic: Responding to the Various Business Stakeholders*

31. (p. 6) By balancing the demands of customers and stockholders, businesses satisfy the demands of all stakeholders.

FALSE

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

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #31
Topic: Using Business Principles in Nonprofit Organizations*

32. (p. 6) An effort to please one group of stakeholders eventually pleases all stakeholders.

FALSE

Balancing the demands of all stakeholders is a tremendous challenge for organizations. Tradeoffs 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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #32
Topic: Using Business Principles in Nonprofit Organizations*

33. (p. 7) Insourcing creates new jobs, and helps offset the number of jobs being outsourced.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #33
Topic: Using Business Principles in Nonprofit Organizations*

34. (p. 4) Robin has started her own Internet consulting firm. 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. Robin is an example of an entrepreneur.

TRUE

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #34
Topic: Entrepreneurship and Wealth Building*

35. (p. 5) Backstreet Books, an eclectic bookstore on a large college campus generated total revenues of \$15 million while incurring expenses of \$12 million. During the year Backstreet Books earned a profit of \$3 million.

TRUE

The profit a firm earns is found by subtracting total costs from total revenue.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #35
Topic: Revenues, Profits, and Losses*

36. (p. 6) Since businesses strive to earn a profit, their owners benefit at the expense of the rest of society.

FALSE

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #36
Topic: Standard of Living and Quality of Life*

37. (p. 6) John 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.

FALSE

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, John's standard of living will change even if the amount of money he earns is the same.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #37
Topic: Standard of Living and Quality of Life*

38. (p. 6) Susan quit her job in a big city to take a less stressful position in a small town located in a scenic area. She earns less money at her new job and has had to cut back on her purchases of material goods, but she has more leisure time and really enjoys the clean air and scenic beauty of her new home. Susan has accepted a lower standard of living in order to enjoy a higher quality of life.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #38
Topic: Standard of Living and Quality of Life*

39. (p. 6) Political freedom, quality education, access to health care, and a clean environment are all factors that contribute to an improved quality of life.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #39
Topic: Standard of Living and Quality of Life*

40. (p. 6) People living in San Jose, CA on average earn more money than people living in St. Louis, MO. The citizens of San Jose enjoy a higher standard of living than the citizens of St. Louis.

FALSE

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #40
Topic: Standard of Living and Quality of Life*

41. (p. 7) 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.

FALSE

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #41
Topic: Using Business Principles in Nonprofit Organizations

42. (p. 7) A charitable organization, such as the Red Cross or Salvation Army, is classified as a for-profit organization.

FALSE

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #42
Topic: Using Business Principles in Nonprofit Organizations

43. (p. 6) It was reported by a Beijing newspaper that China succeeded in improving its people's standard of living and establishing a relatively affluent society in the past seven years. This report clearly indicates that both income levels and the price of goods and services rose significantly during that time period.

FALSE

If the people of China 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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #43
Topic: Standard of Living and Quality of Life

44. (p. 9) Starting a business is a riskier path toward business success than working your way up the ranks of a large business.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #44
Topic: Entrepreneurship Versus Working For Others

45. (p. 9) Working as an entrepreneur is the only way to succeed in business.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #45
Topic: Entrepreneurship Versus Working For Others

46. (p. 9) Paid vacations and health care insurance are among the benefits provided by the government to entrepreneurs.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #46
Topic: Entrepreneurship Versus Working For Others

47. (p. 9) Women currently own less than ten percent of all businesses.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #47
Topic: Opportunities for Entrepreneurs

48. (p. 9) The number of businesses owned by Asians, Hispanics, and American Indians has grown dramatically.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #48
Topic: Opportunities for Entrepreneurs

49. (p. 10) Land, sometimes called natural resources, is the most critical factor of production in explaining why some countries are poor while others are rich.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #49
Topic: The Importance of Entrepreneurs to the Creation of Wealth

50. (p. 9) Money is one of the five factors of production that contribute to the creation of wealth.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #50
Topic: The Importance of Entrepreneurs to the Creation of Wealth

51. (p. 9) Tools, machinery, and buildings are examples of capital resources.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #51
Topic: The Importance of Entrepreneurs to the Creation of Wealth

52. (p. 11) The major advantage rich nations have over poor nations is an abundance of land and labor.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #52
Topic: The Importance of Entrepreneurs to the Creation of Wealth

53. (p. 9) Entrepreneurship is one of the five factors of production that contribute to the creation of wealth.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #53
Topic: The Importance of Entrepreneurs to the Creation of Wealth

54. (p. 9) Business consultant Peter Drucker said that the most important factor of production is knowledge.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #54
Topic: The Importance of Entrepreneurs to the Creation of Wealth

55. (p. 11) Most business experts agree that entrepreneurship and the effective use of knowledge are the most important contributors to the creation of wealth.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #55
Topic: The Importance of Entrepreneurs to the Creation of Wealth

56. (p. 11) The business environment refers to the surrounding factors that either help or hinder the development of businesses.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #56
Topic: The Economic and Legal Environment

57. (p. 9) Jing is a recent U.S. college graduate who is interested in starting an import tea business. If she follows through with her plans, she will be a pioneer, because only a handful of women choose to start businesses in the U.S.

FALSE

During the past two decades there has been a rapid increase in the number of women-owned businesses, increasing from about 3 million firms in 1980 to over 10.6 million women-owned firms today. Women currently own over a third of all businesses.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #57
Topic: Opportunities for Entrepreneurs

58. (p. 11) Countries with an inadequately trained work force and few entrepreneurs often achieve the highest levels of income by relying on a large number of workers.

FALSE

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 will experience relatively low levels of income.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #58
Topic: The Importance of Entrepreneurs to the Creation of Wealth

59. (p. 11) If they wish to create more wealth, poor nations should focus on policies that increase entrepreneurship and the effective use of knowledge.

TRUE

Poor 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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #59
Topic: The Importance of Entrepreneurs to the Creation of Wealth

60. (p. 11) To realize his passion, Alex recently opened Original Tunes, Inc., a small state of the art 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 that he learned in business school would enhance the creation of wealth: labor and political freedom.

FALSE

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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 3: Application of principles
Nickels - Chapter 01 #60
Topic: The Importance of Entrepreneurs to the Creation of Wealth

61. (p. 9 -11) Greg recently completed his college degree in construction management. He is heading to Mexico City to start a business developing apartment dwellings. After researching several potential areas, he chose Mexico City 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.

FALSE

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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 3: Application of principles
Nickels - Chapter 01 #61
Topic: The Importance of Entrepreneurs to the Creation of Wealth

62. (p. 9) Jared is supposed to be cramming for finals but his mind keeps wandering to the Colorado slopes. Several years ago, his Uncle Mike made it big and now owns a ski lodge just north of Aspen. He promised Jared 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 dreams about the opportunity to be his own boss, reality bites as Jared scans his business book and reads, "freedom to succeed also means freedom to fail."

TRUE

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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 3: Application of principles
Nickels - Chapter 01 #62
Topic: Entrepreneurship Versus Working For Others

63. (p. 12) Well-managed businesses will grow and prosper regardless of the business environment in which they operate.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #63
Topic: The Economic and Legal Environment

64. (p. 12) Taxes and government regulations are part of the economic and legal environment in which businesses operate.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #64
Topic: The Economic and Legal Environment

65. (p. 12) High taxes and government restrictions help to encourage entrepreneurs by providing greater incentives for people to work hard and create profit.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #65
Topic: The Economic and Legal Environment

66. (p. 13) 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.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #66
Topic: The Economic and Legal Environment

67. (p. 12) Countries that provide little or no government involvement provide the best environment for competitive businesses.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #67
Topic: The Economic and Legal Environment

68. (p. 12) 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.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #68
Topic: The Economic and Legal Environment

69. (p. 13) Corruption and illegal activities are expected in a capitalist system and can be beneficial.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #69
Topic: The Economic and Legal Environment

70. (p. 13) 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.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #70
Topic: The Economic and Legal Environment

71. (p. 13) Honesty, integrity, and high ethical standards are essential to a capitalist economic system like the one that operates in the United States.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #71
Topic: The Economic and Legal Environment

72. (p. 13) Laws that allow companies to write enforceable contracts decrease the risk of doing business.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #72
Topic: The Economic and Legal Environment

73. (p. 12 -13) In rich countries such as the United States, changes in the level of taxation have little impact on the incentives of entrepreneurs.

FALSE

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-3
Level of Learning 2: Understanding of concepts and principles

74. (p. 13 -14) The failure to uphold high ethical business standards by a few companies can negatively impact the entire U.S. business community.

TRUE

The textbook provided the example of the failure of mortgage brokers to perform due diligence on their customers. In their quest to capture a large home buying market, they failed to check the credit worthiness of their customers. As interest rates on adjustable rate mortgages increased, some homeowners were unable to pay their mortgages. The ripple effect of these failures led to job loss, which sent many homes into foreclosure.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-3
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #74
Topic: The Economic and Legal Environment

75. (p. 12) Several years ago, the government of the small nation of Allegro 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 desired to rapidly improve people's access to phone service, its best course of action would involve selling the telephone company to private investors.

TRUE

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #75
Topic: The Economic and Legal Environment

76. (p. 12) The government of the nation of Bingland is trying to achieve a high quality of life by imposing strict regulations to protect the environment and ensure safe working conditions in factories and mines. The government also has established ambitious programs to help the poor, financing them by setting high tax rates. These efforts by Bingland's government should create an atmosphere that encourages entrepreneurship.

FALSE

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #76
Topic: The Economic and Legal Environment

77. (p. 14) Though it has received a lot of attention, the development of the Internet has had less of an impact on the way businesses operate than many other technological changes.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #77
Topic: The Technological Environment

78. (p. 14) An increase in productivity indicates that more can be produced in a given time period with the same amount of resources.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #78
Topic: The Technological Environment

79. (p. 14) Technology can help businesses become more efficient and productive.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #79
Topic: The Technological Environment

80. (p. 14) Productivity is the amount of output you generate given the amount of input such as hours worked.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #80
Topic: The Technological Environment

81. (p. 14) Effectiveness means producing goods and services using the least amount of resources.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #81
Topic: The Technological Environment

82. (p. 14) Effectiveness means producing the desired result.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #82
Topic: The Technological Environment

83. (p. 14) Technology affects people in most, but not all industries.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #83
Topic: The Technological Environment

84. (p. 14) Technology refers to everything that makes business operations more effective, efficient, and productive.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #84
Topic: The Technological Environment

85. (p. 14
-15) E-commerce is the buying and selling of goods over the Internet.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #85
Topic: The Technological Environment

86. (p. 14
-15) The B2B Internet market consists of selling goods and services to consumers.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #86
Topic: The Technological Environment

87. (p. 15) The rise of Internet marketing has become particularly important in doing business in the B2B markets.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #87
Topic: The Technological Environment

88. (p. 15) The business-to-business segment of e-commerce is of less importance than the business-to-consumer segment of e-commerce.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #88
Topic: The Technological Environment

89. (p. 15) Technology allows firms to be more responsive to their customers' wants and needs.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #89
Topic: The Technological Environment

90. (p. 15) Bar codes are a form of technology that has enhanced a company's ability to be responsive to consumer needs.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge

91. (p. 15) An electronic storage file where information is kept is called a CPU.

FALSE

92. (p. 15) The databases of a business often include a great deal of information about the firm's customers.

TRUE

93. (p. 15) Information in a database allows firms to carry only the products that the local population wants.

TRUE

94. (p. 15) Identity theft is when individuals or firms access people's personal information and then use it for illegal purposes and activities.

TRUE

95. (p. 15) The main difference between B2C and B2B e-commerce is that B2C uses only the Internet, while B2B combines e-commerce with traditional (bricks-and-mortar) outlets.

FALSE

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.

96. (p. 14 - 15) There is less risk involved in starting an e-commerce only business than there is in trying to add e-commerce to a traditional (bricks-and-mortar) store.

FALSE

Although there is no question that some Internet businesses will grow and prosper, it is also evident that many e-commerce firms will fail. On the other hand, many traditional businesses have successfully expanded by incorporating e-commerce into their plans.

97. (p. 14) One of the major advantages to firms involved in e-commerce is that the technology is still so new that the Internet-based firms face very little competition.

FALSE

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

98. (p. 15) Although the Internet is exciting, very few people have access to it outside the U.S.

FALSE

According to the textbook, almost 220 million Chinese were using the Internet in 2008.

99. (p. 14) Niki has joined with several other investors to form a new company that sells foot care products to consumers over the Internet. Niki has invested in a B2C e-commerce company.

TRUE

B2C companies specialize in selling goods to consumers over the Internet.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #99
Topic: The Technological Environment

100. (p. 14) Over the past several years, workers in the small nation of Rainland have enjoyed an increase in the number of holidays and a reduction in the average length of the workday that has reduced the total number of hours they work each year. However, the output per worker in Rainland is higher now than it was before the reduction in hours. These facts suggest that productivity in Rainland has increased.

TRUE

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #100
Topic: The Technological Environment

101. (p. 14) SleekWrap is a company that 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 business customers through its website. This is an example of the largest and most important type of e-commerce transaction.

TRUE

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #101
Topic: The Technological Environment

102. (p. 15) 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.

FALSE

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #102
Topic: The Technological Environment

103. (p. 15) With the emergence of the Internet, Jasmine finds it easy to do all her gift buying online. She takes comfort in the fact that new technologies if installed properly are seldom used in unethical ways.

FALSE

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #103
Topic: The Technological Environment

104. (p. 15) Technological innovation has a ripple effect. With the advent of the Internet, Tyler Hanley, a certified techno-nerd, is being courted by companies to write the next generation of antivirus software. He tells us its big business!

TRUE

Tyler is right; the Internet has created tremendous job opportunities for specialists like him.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #104
Topic: The Technological Environment

105. (p. 16) To remain competitive in today's market, firms must produce a quality product and offer outstanding service at a reasonable price.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #105
Topic: The Competitive Environment

106. (p. 16) Producing a high quality product will ensure success in the competitive environment.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #106
Topic: The Competitive Environment

107. (p. 16) Successful firms follow a customer-driven strategy, as opposed to the management-driven strategy used in the past.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #107
Topic: The Competitive Environment

108. (p. 16) Zero defects means that there is a company goal of no mistakes in making products.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #108
Topic: The Competitive Environment

109. (p. 16
-17) Traditional businesses have a managerial focus rather than a customer focus.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #109
Topic: The Competitive Environment

110. (p. 16
-17) Competition is fierce! One way to respond quickly to customer needs is to develop a strategy of empowering employees.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #110
Topic: The Competitive Environment

111. (p. 17) A policy of empowerment encourages managers to make decisions quickly for their front line employees.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #111
Topic: The Competitive Environment

112. (p. 17) Empowerment means giving frontline workers the responsibility, authority, and freedom to respond quickly to customer requests.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #112
Topic: The Competitive Environment

113. (p. 17) The goal of empowerment in the work environment is to prevent mistakes. Mistakes can be prevented by giving management more control over the actions of lower-level workers.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #113
Topic: The Competitive Environment

114. (p. 16) 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.

FALSE

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-5
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #114
Topic: The Competitive Environment*

115. (p. 16) It's important that firms are as efficient as possible. This is done by becoming management-driven for efficiency.

FALSE

Business is becoming customer-driven, not management-driven as in the past. This means that customers' wants and needs must come first.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-5
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #115
Topic: The Competitive Environment*

116. (p. 16 -17) Customer-driven organizations require managers to closely direct and control their employees.

FALSE

Customer-driven organizations will exceed their customers' expectations by empowering their front line 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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-5
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #116
Topic: The Competitive Environment*

117. (p. 16) Bruno and Gino are worthy competitors in the bakery business in a small upscale resort town. Gino recently negotiated a contract with a supplier for really cheap cooking oil. He knows that bakery customers want cheap products. In this competitive environment, keeping the price down is all that matters.

FALSE

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #117
Topic: The Competitive Environment*

118. (p. 17) Brett runs a lawn care service. Although he and his employees could service eight households in one day, he averages six yards per crewmember, per day. Brett recently restructured his work crew and provided each cutter with an incentive to acquire two new customers each month through customer referrals. As a recent business graduate, you tell him he's probably on the right track.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #118
Topic: The Competitive Environment*

119. (p. 17) The statistical study of the human population to describe its size, age, gender, and income is known as diversity recognition.

FALSE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #119
Topic: The Social Environment*

120. (p. 17) The U.S. population tends to buy the same things and spend time in roughly the same way as people did a decade ago.

FALSE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #120
Topic: The Social Environment*

121. (p. 17) Demographic changes create new business opportunities.

TRUE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6*

122. (p. 17) Diversity groups identified in the market today include extroverts, introverts, atheists, and the devout.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #122
Topic: The Social Environment

123. (p. 17) Companies have responded to a diverse customer base by hiring a more diverse workforce.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #123
Topic: The Social Environment

124. (p. 17) Currently people between the ages of 45 and 54 are the richest group in the United States.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #124
Topic: The Social Environment

125. (p. 18) New welfare rules have made it easier for single parents to remain at home with their young children without being required to seek employment.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #125
Topic: The Social Environment

126. (p. 17) In some cities the number of legal and illegal immigrants has caused governments to adapt by changing signs to other languages.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #126
Topic: The Social Environment

127. (p. 18) The federal government requires companies to take diversity very seriously, even recommending establishing a chief diversity officer in the executive suite.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #127
Topic: The Social Environment

128. (p. 18) One factor that has had a major effect on businesses is the growth of single-parent families.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #128
Topic: The Social Environment

129. (p. 18) Businesses that cater to older consumers in the future will likely not be successful.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #129
Topic: The Social Environment

130. (p. 18) Workplace changes due to the rise of single-parent families create many job opportunities in day care, counseling, and other related fields.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #130
Topic: The Social Environment

131. (p. 17) Businesses use demographic studies to understand where people live, their lifestyles, and what they are likely to buy.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-6
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #131
Topic: The Social Environment*

132. (p. 17) Diversity management would not be an issue if firms would treat all of their employees the same.

FALSE

A diverse workforce can consist of minorities, women, the disabled, homosexuals, atheists, and the devout. 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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-6
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #132
Topic: The Social Environment*

133. (p. 17) Demographic trends suggest that businesses will benefit from offering flexible work schedules, eldercare, and childcare to help employees balance the demands of job and family.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-6
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #133
Topic: The Social Environment*

134. (p. 18) Allowing today's young people to invest part of their Social Security money in personal savings accounts makes sense since in the future less money will be coming into Social Security than will be going out.

TRUE

Paying Social Security to senior citizens in the future will draw huge amounts of money from the economy. One option to deal with this is to allow young people to invest part of their Social Security money in personal savings accounts.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-6
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #134
Topic: The Social Environment*

135. (p. 18) The "pay-as-you-go" Social Security system will ensure that the young people of today will have Social Security benefits in the future when they retire.

FALSE

The pay-as-you-go 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 in 2018, 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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-6
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #135
Topic: The Social Environment*

136. (p. 17 -18) Xavier, 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 60 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.

TRUE

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

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-6
Level of Learning 3: Application of principles
Nickels - Chapter 01 #136
Topic: The Social Environment*

137. (p. 18) Sue is a single mother with two small children. Her employer is considering providing family leave. Since Sue is a single mom with small children, she is unlikely to benefit from this program.

FALSE

Family leave allows workers to take time off to attend to a sick child and should be quite beneficial to Sue since she has two small children. Feedback: By 2010 the number of citizens over 60 will be about 56 million, and by 2020 they will be more than 23 percent of the population. The middle-aged and elderly will need things such as home health care, which will represent business opportunities in the 21st century.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-6
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #137
Topic: The Social Environment*

138. (p. 17) Rob is an emergency room nurse at a local hospital in Texas. On a weekly basis, he will serve a number of patients who are not legally U.S. citizens. Many of them are giving birth to babies. Fortunately, Rob speaks enough Spanish to communicate with the patients. Rob is experiencing the realities of the social environment in some states.

TRUE

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 non-profit companies must adjust to accommodate for changes in the social environment.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-6
Level of Learning 3: Application of principles
Nickels - Chapter 01 #138
Topic: The Social Environment*

139. (p. 18) Globalization has increased among nations.

TRUE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #139
Topic: The Global Environment*

140. (p. 18) An important environmental change in the global environment is the growth of international competition.

TRUE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #140
Topic: The Global Environment*

141. (p. 18) Improved distribution systems has led to more global trade.

TRUE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #141
Topic: The Global Environment*

142. (p. 18) Global trade has suffered because of increased problems with the Internet.

FALSE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #142
Topic: The Global Environment*

143. (p. 18) Globalization has greatly increased living standards around the world.

TRUE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #143
Topic: The Global Environment*

144. (p. 18) China and India have become major U.S. competitors.

TRUE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #144
Topic: The Global Environment*

145. (p. 18) Companies from the United States are building many of their products overseas, and unfortunately foreign companies are not building products in the United States.

FALSE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #145*

146. (p. 19) Because of increased trade, there is now an increased interdependence in the world.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #146
Topic: The Global Environment

147. (p. 19) The threat of terrorism increases the costs of operating most businesses.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #147
Topic: The Global Environment

148. (p. 19) Wars are costly to all companies.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #148
Topic: The Global Environment

149. (p. 19) U.S. exports are expected to increase under new trade agreements leading to more U.S. jobs.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #149
Topic: The Global Environment

150. (p. 19) The war on terrorism has had a significant effect in drawing many resources from the U.S. economy and led to many additional costs for businesses.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #150
Topic: The Global Environment

151. (p. 19) In most industries, the only producers that pose a serious threat to U.S. manufacturers are those in Japan and Western Europe.

FALSE

Producers in countries like China and India have become major U.S. competitors. For example, Lenovo, a Chinese firm, recently bought IBM's PC unit.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #151
Topic: The Global Environment

152. (p. 19) 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.

TRUE

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #152
Topic: The Global Environment

153. (p. 19) One of the problems with globalization is that distribution systems and communication systems lack efficiency.

FALSE

Distribution systems and Communication systems have improved dramatically, and have contributed toward world trade.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #153
Topic: The Global Environment

154. (p. 19) The evidence for climate change is questionable. Well-known U.S. companies are taking a wait-and-see approach toward addressing climate change.

FALSE

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

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #154
Topic: The Global Environment*

155. (p. 19) Carlos Gonzalez owns a small manufacturing company that makes ventilation systems used in the construction of office buildings. As the U.S. continues to be involved in wars around the globe, Carlos may notice that his business will be growing more slowly in the future as more money continues to be put into the war effort.

TRUE

The war in Iraq has drawn billions of dollars from the American economy. Most companies have lost workers to the armed forces and have grown more slowly as money has been diverted to the war effort.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #155
Topic: The Global Environment*

156. (p. 19) Lucy owns a restaurant in Los Angeles. She heard on the radio 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 L.A.

TRUE

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #156
Topic: The Global Environment*

157. (p. 19) After several years of study as a part-time student, Alex recently earned a degree in marketing at a local college. The growth in global markets may increase Alex's job opportunities, but it will also require him to continually update his skills or seek further education.

TRUE

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #157
Topic: The Global Environment*

158. (p. 19) Maya is an engineer for Windy Ridge, Inc. a maker of wind turbines. Recently, a large company 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.

TRUE

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #158
Topic: The Global Environment*

159. (p. 20) Over many years the nature of U.S. business has changed very little from century to century.

FALSE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #159
Topic: The Evolution of U.S. Business*

160. (p. 21) The number of U.S. jobs in manufacturing has increased in the past five years.

FALSE

*AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #160
Topic: Progress in the Agricultural and Manufacturing Industries*

161. (p. 21) Technology helped the manufacturing industry to become more productive.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #161
Topic: Progress in the Agricultural and Manufacturing Industries

162. (p. 21) While the proportion of workers employed in agriculture has remained relatively constant, the average size of farms has steadily decreased over the past century.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #162
Topic: Progress in the Agricultural and Manufacturing Industries

163. (p. 21) Increases in productivity have allowed fewer farmers to feed more and more people.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #163
Topic: Progress in the Agricultural and Manufacturing Industries

164. (p. 21) The advice provided by a marriage counselor is an example of the service industry.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #164
Topic: Progress in Service Industries

165. (p. 21) Almost all of the growth in employment opportunities since the mid-1980s has been generated by the service sector.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #165
Topic: Progress in Service Industries

166. (p. 21) 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.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #166
Topic: Progress in Service Industries

167. (p. 21) There are more high-paying jobs in the service sector than in the goods-producing sector.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #167
Topic: Progress in Service Industries

168. (p. 21 -22) The best employment strategy for today's college graduates is to search for jobs that are closely related to their college major.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #168
Topic: Your Future in Business

169. (p. 21) The growth in the service sector in the United States appears to be giving way to an information-based global era.

TRUE

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #169
Topic: Your Future in Business

170. (p. 21) 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.

FALSE

AACSB: Reflective Thinking
Blooms: Knowledge

171. (p. 21) 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.

TRUE

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.

172. (p. 21) 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.

FALSE

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.

173. (p. 20 -21) Historically jobs lost in one sector of the economy have been replaced by increased employment opportunities in other sectors.

TRUE

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.

174. (p. 21) Cee Duction is a financial planner who helps people find ways to save for retirement and lower their taxes. Cee is employed in the service sector of the economy.

TRUE

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

175. (p. 21) After losing her manufacturing job in the U.S. automobile industry, Juanita has found that well paid service sector jobs require retraining and further education.

TRUE

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.

176. (p. 4) An activity which seeks to earn a profit by providing a good or service is known as a(n):

- A. industry.
- B. corporation.
- C. business.**
- D. service.

177. (p. 5) _____ is the amount a business earns after deducting what it spends for salaries and other expenses.

- A. Profit**
- B. Revenue

- C. Interest
- D. Dividends

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #177
Topic: Revenues, Profits, and Losses

178. (p. 5) A business incurs a _____ if its costs and expenses exceed its revenues.

- A.** loss
- B. liability
- C. debit
- D. dividend

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #178
Topic: Revenues, Profits, and Losses

179. (p. 5) _____ 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #179
Topic: Matching Risk with Profit

180. (p. 5) 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #180
Topic: Revenues, Profits, and Losses

181. (p. 4) A(n) _____ is a person who assumes the risk of starting a business.

- A. manager
- B.** entrepreneur
- C. private investor
- D. stakeholder

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #181
Topic: Entrepreneurship and Wealth Building

182. (p. 5) Starting a business always involves _____.

- A. profit
- B. loss
- C. revenue
- D.** risk

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #182
Topic: Matching Risk with Profit

183. (p. 5) 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #183
Topic: Matching Risk with Profit

184. (p. 6) _____ 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #184
Topic: Standard of Living and Quality of Life

185. (p. 6) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #185
Topic: Standard of Living and Quality of Life

186. (p. 6) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #186
Topic: Responding to the Various Business Stakeholders

187. (p. 7) 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 its owners and organizers.
- C.** nonprofit organizations do not seek a profit for its owners or organizers.
- D. nonprofit organizations do not file tax returns.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-1
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #187
Topic: Using Business Principles in Nonprofit Organizations

188. (p. 5) Last year, Adventure Enterprises reported revenues of \$24 million while its total expenses were \$10 million. Based on this information, Adventure reported:

- A.** profits of \$14 million.
- B. profits of \$34 million.
- C. losses of \$14 million.
- D. losses off \$34 million.

Profits are found by subtracting costs and expenses from revenues, so Adventure Enterprises profits are \$24 million - \$10 million = \$14 million.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #188
Topic: Revenues, Profits, and Losses

189. (p. 4) 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.

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

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #189
Topic: Entrepreneurship and Wealth Building

190. (p. 7) Which of the following is the best example of a business whose goal is to earn a profit?

- A. A community college
- B. The Salvation Army
- C. Boy Scouts of America
- D.** Best Buy, Inc.

Best Buy is the only one of the organizations listed which seeks to earn a profit. All of the others are nonprofit organizations.

AACSB: Reflective Thinking

191. (p. 5) 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 ten 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.

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

192. (p. 6-7) Companies that outsource research and development and design jobs:

- A. have always made a wise decision.
- B. will be more profitable in the long run.
- C.** run the risk of overseas companies using the information to produce competitive products.
- D. always invest in the overseas companies that take on these jobs.

Companies have gone from outsourcing production jobs to outsourcing research and development and design functions. Such outsourcing may prove disastrous to those firms, in that overseas companies may use the information to produce their own, competitive products.

193. (p. 7) Honda and Toyota have used *insourcing* for years to produce 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.

Companies including Honda and Toyota have set up design and production facilities in the United States, called *insourcing*. 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.

194. (p. 7) 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

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.

195. (p. 6) 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.

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 in order to satisfy the needs of people within a society, but they do not seek a profit.

196. (p. 6) 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.

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

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #196
Topic: Standard of Living and Quality of Life

197. (p. 6) 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 of their stakeholders.
- D. exclusively their owners, since they are ultimately the ones who pay the bills.

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

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-1
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #197
Topic: Responding to the Various Business Stakeholders

198. (p. 4) Shelby recently started selling her invention: A bed that looks like it floats in mid-air. The bed is actually suspended by magnetic forces. Shelby is a(n):

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

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #198
Topic: Entrepreneurship and Wealth Building

199. (p. 5) Ross 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. Ross 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #199
Topic: Matching Risk with Profit

200. (p. 6) 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.

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #200
Topic: Standard of Living and Quality of Life

201. (p. 6) Jane's income has remained stable over the past few years while the prices of things she buys have gone up. Nevertheless, Jane feels better off because the environment is cleaner, the crime rate has declined, she has more leisure time, and the quality of medical care has improved. If Jane's experience is typical, we can conclude 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.

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

and hence would increase the quality of life.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #201
Topic: Standard of Living and Quality of Life

202. (p. 4) Eve and her three college friends enjoy perfumes. As a special gift to each of them last holiday season, Eve 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 on the Internet. 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.

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #202
Topic: Entrepreneurship and Wealth Building

203. (p. 7) Which of the following statements about social entrepreneurs (such as Muhammad Yunus who won the Nobel Prize) describes their challenge?

- A. Social entrepreneurs may switch social causes several times before finding their niche.
- B. Social entrepreneurs understand that their business environments are less dynamic than other businesses, especially during a recession.
- C. Social entrepreneurs use different business skills than entrepreneurs who start other businesses. They should focus on a different educational curriculum than other entrepreneurs.
- D.** Using the same business skills as other entrepreneurs, social entrepreneurs develop businesses to improve the skill(s) and/or quality of life of others.

Social entrepreneurs develop businesses to improve the skills and quality of life of others. Many of these businesses are organized as non-profit companies.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #203
Topic: Using Business Principles in Nonprofit Organizations

204. (p. 6) Planet Earth Developers is a large nation-wide construction company with home offices in Lansing, MI. The local media often remarks about the pristine landscaping that surrounds the home office that sits on a 30-acre complex. At the back end of the complex are several large warehouses and garages that hold large equipment. The grounds surrounding these warehouses look like a well-maintained park. Across the street from the garages are several shops and businesses. The CEO, "Planet Paul" (as his employees call him), often talks about how thankful he is that the town permits him to store the company equipment at that site, and vows to always maintain the premises for his neighbors (the other businesses that thrive in that area), not to mention that he asks 100 employees to come to work there everyday. Which of the following statements describes Planet Paul's business philosophy?

- A. Planet Paul is a nice guy whose company made a lot of money, so he is willing to spread it around.
- B.** Planet Paul understands that even though it may cost a little more, stakeholder considerations are very important if you want your business to thrive.
- C. Planet Paul is more concerned about town politics than about the company profits. He should ask his employees if they would rather have that money in their pockets than on the lawns.
- D. Planet Paul is taking a business risk that his trucks and equipment will not make too much noise as they enter and exit the garages.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #204
Topic: Responding to the Various Business Stakeholders

205. (p. 9) The growth of Hispanic owned businesses:

- A. remained relatively constant during the past decade.
- B. slowly increased during the past decade.
- C.** increased dramatically in recent years.
- D. decreased slightly compared to other minority groups who have started businesses.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #205
Topic: Opportunities for Entrepreneurs

206. (p. 9) The number of businesses owned by Hispanics and Asians has:

- A. has decreased after the 9-11 terrorist attack.
- B. slowly increased.
- C.** significantly increased.
- D. remained relatively constant.

AACSB: Reflective Thinking

207. (p. 9) 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**

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #207
Topic: Entrepreneurship Versus Working For Others

208. (p. 9) 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #208
Topic: The Importance of Entrepreneurs to the Creation of Wealth

209. (p. 9) Which of the following is a factor of production?

- A. bonds
- B. money
- C. knowledge**
- D. service

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #209
Topic: The Importance of Entrepreneurs to the Creation of Wealth

210. (p. 9) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #210
Topic: The Importance of Entrepreneurs to the Creation of Wealth

211. (p. 11) 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.**

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #211
Topic: The Importance of Entrepreneurs to the Creation of Wealth

212. (p. 11) The _____ 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-2
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #212
Topic: The Business Environment

213. (p. 8) Entrepreneurs weigh the differences between the benefits of starting a business and those things that they are likely to forego because
-9) 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.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #213
Topic: Entrepreneurship Versus Working For Others

214. (p. 9) 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

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #214
Topic: Entrepreneurship Versus Working For Others

215. (p. 9 -10) Leanne owns a nursery business. The trucks, handcars, and forklift she purchased for the business are called _____ investments.

- A. natural resources
- B. intangible resources
- C. current asset
- D.** capital

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

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #215
Topic: The Importance of Entrepreneurs to the Creation of Wealth; figure 1.2

216. (p. 9) 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

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #216
Topic: The Importance of Entrepreneurs to the Creation of Wealth

217. (p. 10 -11) When we compare the factors of production in wealthy and 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.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #217
Topic: The Importance of Entrepreneurs to the Creation of Wealth

218. (p. 11) 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.

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 a police protection, and good health environment.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-2

219. (p. 9 -11) 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-2
Level of Learning 3: Application of principles
Nickels - Chapter 01 #219
Topic: The Importance of Entrepreneurs to the Creation of Wealth

220. (p. 11) Nolivia is a small and poor nation, but its current president has a genuine desire to create more wealth for Nolivia citizens. The president has received recommendations from several of her advisors. Which of the following recommendations is likely to create the most wealth for Nolivia?

- A. Acquire more land by invading a neighboring country that is even poorer and weaker than Nolivia.
- 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 Nolivia businesses from foreign competition.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-2
Level of Learning 3: Application of principles
Nickels - Chapter 01 #220
Topic: The Importance of Entrepreneurs to the Creation of Wealth

221. (p. 11) Ben and Chris combined their love of hockey with a business venture. They purchased a small portable cart and began selling hockey memorabilia outside of the hometown hockey arena. Their first year went well, but this past year has been a real struggle. Due to poor economic conditions including a loss of jobs, ticket sales at the arena are down, which has significantly hurt their sales as well. As a recent business school graduate, you explain to Ben and Chris:

- 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #221
Topic: The Business Environment

222. (p. 8 -9) Nick 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.

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 Nick will forego.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-2
Level of Learning 3: Application of principles
Nickels - Chapter 01 #222
Topic: Entrepreneurship Versus Working For Others

223. (p. 11) 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. It's strategy was 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.

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

224. (p. 10) According to the "**Spotlight on Small Business**" box for Chapter 1, Lisa Knoppe Reed started a unique business called "Art for a Cause". Which of the following statements accurately conveys the climate surrounding women-owned businesses?
- A. Although it would make an ideal world, it remains difficult to make a living when you combine social causes and business ventures.
 - B. There are still tremendous stigmas about women owning businesses. The few women who attempt to run their own business each year is indicative of these cultural problems.
 - C. It is difficult enough for women to be entrepreneurs. When women combine social causes with their business skills, the business failure rate intensifies.
 - D.** The number of women owned businesses has increased significantly. As a social entrepreneur, Lisa's business model proves that one can be successful and also improve the lives of others.

An important social trend that began emerging several years ago is growth in women-owned businesses. Spurred along by the help of government grants, women continue to pursue business ownership. Other social trends include aging Americans, diversity in hiring, and two income families.

225. (p. 12) Taxes and government regulations are part of the _____ environment of business.

- A.** economic and legal
- B. competitive
- C. social
- D. technological

226. (p. 12) 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.

227. (p. 12 -13) 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

228. (p. 12) 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.

229. (p. 13) 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.

230. (p. 13) The capitalist system relies heavily on:

- A. protectionist policies with respect to world markets.
- B. minimizing government intervention in corrupt business practices.
- C. making sure that currencies are never under-valued.
- D.** honesty, integrity, and high ethical business standards.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-3
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #230
Topic: The Economic and Legal Environment

231. (p. 13) 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.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-3
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #231
Topic: The Economic and Legal Environment

232. (p. 12) Which of the following policies would tend to foster entrepreneurship?
-13)

- 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.

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

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-3
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #232
Topic: The Economic and Legal Environment

233. (p. 13) When corruption is present in the business environment:

- A.** company leaders can 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.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-3
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #233
Topic: The Economic and Legal Environment

234. (p. 13) Questionable business practices such as those followed by many mortgage lending companies in the past few years:
-14)

- A. encouraged investors to increase their stock market holdings.
- B.** fundamentally weakened the entire economic environment.
- C. helped retired employees at the expense of current employees.
- D. resulted from too much government regulation.

Corrupt and illegal activities at some companies do negatively affect the business community and the economy as a whole. The capitalist system relies heavily on honesty, integrity, and high ethical standards. When these fundamentals fail, the whole system is weakened.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-3
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #234
Topic: The Economic and Legal Environment

235. (p. 12) Which of the following government policies would be **least** likely to encourage entrepreneurship?
-13)

- 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #235
Topic: The Economic and Legal Environment

236. (p. 13) A recent New York Times article about Bernard 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.

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

AACSB: Ethics
Blooms: Application
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #236
Topic: The Economic and Legal Environment

237. (p. 13) Adam Ripley sells custom bicycles. Adam buys several bike parts including wheels and tires from the Good Treads Company. Although several government-supported regulations help Adam in his business, regulations that make it easy for Adam's 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.

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.

AACSB: Ethics
Blooms: Application
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #237
Topic: The Economic and Legal Environment

238. (p. 12) Jay and Jim Spears own a lawn irrigation system business. They perform installations and maintenance of these systems. Several of their customers are golf courses, but they serve a large group of residential customers as well. When they started the business ten years ago, they made a pact to always operate within the legal limits of the law, but lately, the competition is eating them alive. Local competitors have hired illegal immigrants to perform the manual labor. 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 for small businesses. Jay and Jim do 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 this partnership that:

- A. Taxes only need to be paid for the owners.
- B.** They are not only taking a chance that a bigger problem may occur, they are indirectly setting the ethics code for their firm.
- 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.

As the student will 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. The capitalist system relies heavily on honesty, integrity, and high ethical standards.

AACSB: Ethics
Blooms: Application
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #238
Topic: Making Ethical Decisions box

239. (p. 14) The Internet and 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #239
Topic: The Technological Environment

240. (p. 14) Technology affects people in:

- A.** all industries.
- B. most industries.
- C. information technology industries with the exception of agriculture.

D. primarily high income countries.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #240
Topic: The Technological Environment

241. (p. 14) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #241
Topic: The Technological Environment

242. (p. 14) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #242
Topic: The Technological Environment

243. (p. 14) _____ 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #243
Topic: The Technological Environment

244. (p. 14) _____ means producing the desired result.

- A.** Effectiveness
- B. Technology
- C. E-production
- D. Productivity

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #244
Topic: The Technological Environment

245. (p. 14) _____ means producing items using the least amount of resources.

- A.** Efficiency
- B. Technology
- C. E-production
- D. Productivity

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #245
Topic: The Technological Environment

246. (p. 14) The two main types of e-commerce are:
-15)

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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #246
Topic: The Technological Environment

247. (p. 14) When businesses sell to other businesses over the Internet, these transactions are known as:
-15)

- A. B2C transactions.
- B. e-wholesale transactions.

- C. B2B transactions.
- D. intermediate e-commerce transactions.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #247
Topic: The Technological Environment

248. (p. 14 -15) Companies that sell goods to consumers over the Internet are engaging in:

- A. B2C transactions.
- B. IOU transactions.
- C. B2B transactions.
- D. Y2K transactions.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #248
Topic: The Technological Environment

249. (p. 15) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #249
Topic: The Technological Environment

250. (p. 15) 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #250
Topic: The Technological Environment

251. (p. 15) _____ 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #251
Topic: The Technological Environment

252. (p. 15) One advantage of a database is:

- A. it 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. it creates efficiency in that the store can quickly replenish items that are purchased.
- C. it prevents identity theft.
- D. it prevents stores from exchanging customer information with each other.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-4
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #252
Topic: The Technological Environment

253. (p. 14) 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.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-4
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #253
Topic: The Technological Environment

254. (p. 15 -16) Which of the following best describes the main difference between B2B and B2C transactions? B2B transactions:

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

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

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-4
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #254
Topic: The Technological Environment*

255. (p. 14) 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

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-4
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #255
Topic: The Technological Environment*

256. (p. 14 -15) Ntercon is an Internet-based company that provides online support services for businesses that need help in setting up and maintaining their websites. Ntercon is an example of a company that is engaged in:

- A. B2C e-commerce.
- B. N2Y e-commerce.
- C. Y2K e-commerce.
- D.** B2B e-commerce.

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #256
Topic: The Technological Environment*

257. (p. 15) Life of Luxury, Inc., is a mail order firm that specializes in expensive and unusual gifts for all occasions. The company keeps a large file of information on all of its regular customers, including names, addresses, 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.

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #257
Topic: The Technological Environment*

258. (p. 15) Which of the following predictions about the impact of e-commerce on traditional businesses is likely to be most accurate?

- A. E-commerce will have little impact on most traditional businesses, because only a few types of products can be sold effectively over the Internet.
- B.** Traditional brick-and-mortar firms will enter the e-commerce market by creating their own web sites.
- 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 twenty years.

Businesses that delight their customers by providing 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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #258
Topic: The Technological Environment*

259. (p. 15) Tyrell recently noticed that he was receiving several catalogs and direct mail 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 online theft.
- B.** Tyrell gave his personal information to a business, which then traded it to other companies and these companies then began sending him

catalogs.

- C. All businesses routinely have all customers' personal information.
- D. Tyrell's accountant gave his information to the direct mail marketers.

The information Tyrell 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 Tyrell buys and from whom he buys it.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #259
Topic: The Technological Environment*

260. (p. 15) Gabriella wants to compare the price of a designer bag she saw in a local department store, with other stores that may have the same. She locates the product on three different websites on the Internet, and then stumbles on a site that does the price shopping for her. Gabriella's quest is an example of how customers are using _____ to solve problems.

- A. price shopping
- B. databases
- C. information technology**
- D. social networking

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #260
Topic: The Technological Environment*

261. (p. 15) Charles Malone recently renewed his card membership at DiscountMania. The card has an annual \$40 fee, but Charles believes that it pays for itself because he receives good prices on electronics, contact lenses, and even tires for his car. Shortly after renewing the card, Charles began receiving calls from collection agencies claiming that he owed money. With the help of others, he learned that another Charles Malone also owned a DiscountMania card, and wrote checks with insufficient bank funds when making purchases. DiscountMania had linked Charles' personal information with the other Charles Malone's personal information. Charles experienced _____.

- A. Buyer myopia
- B. Database fraud
- C. Information trafficking
- D. Identity theft**

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #261
Topic: The Technological Environment*

262. (p. 15) Marla Staples is concerned with identity theft. One of the ways that she can protect her information from leaking-out to the wrong hands is:

- A. Avoid all e-commerce transactions because this is the only types of buying transactions where websites and others handle sensitive, personal information.
- B. Install antivirus software, firewalls, and anti-spyware software on her computer.**
- C. Limit her purchases with vendors that she knows do not store her information in a database.
- D. Limit her travels to the United States because identity theft is an international problem.

Identify theft continues to be a concern as people continue to use the Internet and other sources to get quick and convenient information. It is important to protect your computer hardware and software with antivirus software, firewalls, and anti-spyware software. As with any new technology, people eventually find ways to corrupt the system. New protections must be developed to combat hackers and others who invade your computer system to try and benefit illegally by stealing your identity.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #262
Topic: The Technological Environment*

263. (p. 15) Andy Blake got a call yesterday from Planet Bank, the company that issued his credit card inquiring about an \$85.00 charge made in Caracas, Venezuela. Upon learning that Andy had not made this purchase, the Bank quickly took steps to cancel the card and issue a new one. Given the circumstances that Andy's credit card number had an illegal transaction, Andy may also want to:

- A. Check his computer's firewall to make sure its working.
- B. Cancel his account with Planet Bank, altogether and eliminate credit cards from his life.
- C. Check his credit report.**
- D. Diversify his spending habits by using one of several credit cards when making purchases.

Checking your credit report is an important step in preventing identity theft.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #263
Topic: The Technological Environment*

264. (p. 16) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #264
Topic: The Competitive Environment

265. (p. 16) Successful businesses are keenly focused on their:

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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #265
Topic: The Competitive Environment

266. (p. 16) Empowerment means:
-17)

- 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #266
Topic: The Competitive Environment

267. (p. 16) Empowerment requires that managers focus more on _____ lower-level employees.

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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-5
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #267
Topic: The Competitive Environment

268. (p. 17) 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.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-5
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #268
Topic: The Competitive Environment

269. (p. 16) Which of the following statements about the competitive environment is most accurate?
-17)

- A. Firms that produce a quality product will almost always succeed in the competitive marketplace.
- B. Traditional firms will be unable to successfully compete against the new Internet firms unless they immediately create a way to reach customers through this technology.
- 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.

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

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-5
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #269
Topic: The Competitive Environment

270. (p. 16) 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

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.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-5
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #270
Topic: The Competitive Environment*

271. (p. 17) Lamar is a salesperson for Bi-State Direct. He really appreciates the amount of freedom and authority Bi-State gives its sales people in order to better meet the needs of customers. Lamar's experience suggests that Bi-State practices:

- A. Centralized management.
- B. Fast response theory.
- C. Enfranchisement.
- D. Empowerment.**

Empowerment means giving front-line workers more freedom to respond quickly to customer requests.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #271
Topic: The Competitive Environment*

272. (p. 16) Greg is working as a marketing trainee for an online Music CD and video retailer. His 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." Greg 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 that are having problems with their orders.
- D. Always match the promotions of our competitors. Price is the only thing customers care about.

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #272
Topic: The Competitive Environment*

273. (p. 16 -17) Which of the following statements best describes how firms must treat their front-line workers in order to remain competitive? Front-line 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 law suits
- C. eliminated and replaced with automated equipment whenever possible
- D. relieved of any burden to make a customer decision

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #273
Topic: The Competitive Environment*

274. (p. 16) Max is in charge of production for a family-owned firm that makes and sells sports gloves including baseball gloves, softball gloves, golf gloves, and more. 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 Max?

- A. You are right on target, Max. Time is money.
- B. You are the man, Max. As long as our price is competitive, speedy delivery will win in today's changing marketplace.
- C. Well Max, 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.

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

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #274
Topic: The Competitive Environment*

275. (p. 17) The statistical study of human population to learn its size, density, and characteristics is called:

- A. psychographics.
- B. econometrics.

- C. demography.
- D. geometry.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #275
Topic: The Social Environment

276. (p. 17) Businesses collect _____ information on where people live, what they buy, and how they spend their time.

- A. geometric
- B. econometric
- C. demographic**
- D. anthropologic

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #276
Topic: The Social Environment

277. (p. 17) Diversity is more than recruiting and keeping minorities and women. Diversity means appreciating and understanding other differences in our customers and in our workforce. The statement that best describes this differences is:

- A. disabilities, sexual orientation, religious preferences, and even personality differences such as extroverts and introverts.**
- B. gender roles.
- C. surface level things such as green eyes versus brown eyes.
- D. racial differences and gender differences.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #277
Topic: The Social Environment

278. (p. 17) Efforts are underway 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #278
Topic: The Social Environment

279. (p. 17 Due to population shifts,
-18)

- A. businesses that cater to older consumers will see exceptional growth.**
- B. businesses that cater to older consumers will see slower growth.
- C. businesses that sell electronic devices will see a significant decline.
- D. healthcare will emerge as the only business sector that will grow.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #279
Topic: The Social Environment

280. (p. 18) Which of the following industries will 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

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #280
Topic: The Social Environment

281. (p. 18) 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 conceived, 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-6
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #281
Topic: The Social Environment

282. (p. 18) People between the ages of 65 and 74 represent:

- A. the unemployed generation

- B. the single-parent family generation
- C.** a lucrative market
- D. a group that has never contributed to social security

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-6
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #282
 Topic: The Social Environment

283. (p. 18) Businesses are supporting single-parent families with:

- A. social security benefits.
- B. a more lenient welfare system.
- C.** more flexible work benefits such as flex time and family leave.
- D. limited benefits due to the declining numbers of these families. Five-member families are steadily growing.

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-6
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #283
 Topic: The Social Environment

284. (p. 17) 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 will decline in the future.
- 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.

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.

AACSB: Reflective Thinking
 Blooms: Comprehension
 Learning Goal: 01-6
 Level of Learning 2: Understanding of concepts and principles
 Nickels - Chapter 01 #284
 Topic: The Social Environment

285. (p. 18) 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.

Single parents have encouraged 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).

AACSB: Reflective Thinking
 Blooms: Comprehension
 Learning Goal: 01-6
 Level of Learning 2: Understanding of concepts and principles
 Nickels - Chapter 01 #285
 Topic: The Social Environment

286. (p. 17) The immigrant population (both legal and illegal) is having a dramatic effect on

- A. car and truck makers
- B. mining and minerals industry
- C.** schools, hospitals and other services type industries
- D. ice cream and confection industry

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.

AACSB: Reflective Thinking
 Blooms: Comprehension
 Learning Goal: 01-6
 Level of Learning 2: Understanding of concepts and principles
 Nickels - Chapter 01 #286
 Topic: The Social Environment

287. (p. 18) 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 unwilling to pay for healthcare in order to stay alive.
- 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.

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 more like two workers for every one retiree. By 2018, it is predicted that less money will be going into the social security system than money coming out.

AACSB: Reflective Thinking
 Blooms: Comprehension
 Learning Goal: 01-6
 Level of Learning 2: Understanding of concepts and principles
 Nickels - Chapter 01 #287
 Topic: The Social Environment

288. (p. 18) Jill is looking into the possibility of opening up a day care center in her community, because she is aware of many single-parent families that need a place for their children to stay while the parents work. She is concerned about the long-term prospects for such a business. Jill believes the future of her center will depend on whether birth rates and the number of single-parent families remain high. These concerns illustrate how businesses can be affected by:

- A. econometric trends.
- B.** demographic trends.
- C. holographic trends.
- D. psychometric trends.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-6
Level of Learning 3: Application of principles
Nickels - Chapter 01 #288
Topic: The Social Environment

289. (p. 18) St. Claire Hospital is considering a program that would allow some of its workers to use flextime. One 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. Front-line workers who frequently go out to meet with home furnishing designers.
- D.** Single-parent families.

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

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-6
Level of Learning 3: Application of principles
Nickels - Chapter 01 #289
Topic: The Social Environment

290. (p. 18) Preferred Pet Care, Inc., a mobile veterinary 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 Preferred Pet Care'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.
- 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-6
Level of Learning 3: Application of principles
Nickels - Chapter 01 #290
Topic: The Social Environment

291. (p. 18 -19) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #291
Topic: The Global Environment

292. (p. 19) The threat of terrorism more often _____ the cost of operating a business.

- A.** increases
- B. decreases
- C. stabilize
- D. destabilizes

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #292
Topic: The Global Environment

293. (p. 19) The war on terrorism will:

- A. improve the confidence level of most consumers.
- B. hurt the profitability of every business operating in the U.S.
- C.** help some businesses and hurt others.
- D. stabilize the business sector.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7

294. (p. 19) An increase in global trade will:

- A. increase prices.
- B. decrease jobs.
- C. increase political instability.
- D. increase global competition.**

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #294
Topic: The Global Environment

295. (p. 19) 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 for companies that hire people to provide services.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #295
Topic: The Global Environment

296. (p. 19) Greening refers to:

- A. the need for more carbon dioxide in our air.
- B. firms acquiring more green backs (U.S. dollars) from world trade.
- C. finding ways to lessen the harm on our environment.**
- D. the agricultural industry's push to develop and produce new green vegetables to feed the world.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-7
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #296
Topic: The Global Environment

297. (p. 18 -19) 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.

Two things that have led to more trade are improvements in transportation and communication including more efficient distribution systems.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #297
Topic: The Global Environment

298. (p. 19) 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

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #298
Topic: The Global Environment

299. (p. 19) The war on terrorism in many parts of the world should lead to _____.

- A. an 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**

The war on terrorism will cause hardships for consumers and the economy due to the movement of government funds from social programs and issues to military spending.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #299
Topic: The Global Environment

300. (p. 19) The green movement is:

- A. a trend that started with the U.S. government.
- B.** concern with depletion of natural resources and leaving a large carbon footprint.
- 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.

The greening trend is about saving energy and natural resources and concern with what we leave behind.

*AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-7
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #300
Topic: The Global Environment*

301. (p. 19) Mark 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 forget school or training in his future. In evaluating the future of the workplace, Mark 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.** over confident. 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.

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #301
Topic: The Global Environment*

302. (p. 19) 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.

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #302
Topic: The Global Environment*

303. (p. 19) Laura and Tim McNash recently moved to North Carolina on a three-acre home site. They purposefully purchased their home within biking distance to the university where they are both employed, and their bikes each have room for two cloth bags for groceries if they need to purchase food on the way home, although they plan to grow much of their own. Laura and Tim are examples of a growing number of young 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.

An important social trend affecting the social environment of all business is sustainability, or going green. As the student will recognize through the textbook, the green movement is changing the way we run our businesses, and the way our customers want us to run our businesses. Sustainability has global implications.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #303
Topic: The Global Environment*

304. (p. 19) 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 that businesses 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.

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #304
Topic: The Global Environment*

305. (p. 19) Tyler Samuels recently returned from the war in Iraq where he was a member of the highly skilled special operations forces. He is now in the United States where he collects 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.

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.

AACSB: Reflective Thinking
 Blooms: Application
 Learning Goal: 01-7
 Level of Learning 3: Application of principles
 Nickels - Chapter 01 #305
 Topic: The Global Environment

306. (p. 20 -21) During the past 150 years, the U.S. has evolved from:

- A. An agrarian economy to an information technology economy.
- B. A business to business economy to a business to consumer economy.
- C.** An agrarian economy to a manufacturing economy to a service oriented economy.
- D. A manufacturing economy to a service economy, to a cottage economy, and now we are trending back to an agrarian economy.

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-8
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #306
 Topic: Progress in the Agricultural and Manufacturing Industries

307. (p. 21) 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.

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-8
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #307
 Topic: Progress in the Agricultural and Manufacturing Industries

308. (p. 21) The service industry represents _____ of the value of the U.S. economy.

- A. about 30%
- B. under 50%
- C.** about 70%
- D. about 50%

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-8
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #308
 Topic: Progress in Service Industries

309. (p. 21) Health care, insurance, recreation and other intangible products are provided by the:

- A. global sector.
- B.** service industry.
- C. industrial sector.
- D. manufacturing industry.

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-8
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #309
 Topic: Progress in Service Industries

310. (p. 20 -21) 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.

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-8
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #310
 Topic: Progress in the Agricultural and Manufacturing Industries

311. (p. 21) In recent years, almost all new job creation in the United States has occurred in the _____ sector:

- A.** service
- B. manufacturing
- C. agricultural
- D. telecommunications

AACSB: Reflective Thinking
 Blooms: Knowledge
 Learning Goal: 01-8
 Level of Learning 1: Knowledge of key terms
 Nickels - Chapter 01 #311

312. (p. 21) 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.

AACSB: Reflective Thinking
Blooms: Knowledge
Learning Goal: 01-8
Level of Learning 1: Knowledge of key terms
Nickels - Chapter 01 #312
Topic: Your Future in Business

313. (p. 21) Appliance repair firms, tax consultants, law firms, and insurance companies are all business firms that are part of the:

- A. production sector.
- B. management sector.
- C. neo-industrial sector.
- D.** service sector.

All of these companies provide an intangible product. Thus, they are included in the service sector.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-8
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #313
Topic: Progress in Service Industries

314. (p. 21) In recent years, manufacturing firms in the United States have laid 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.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-8
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #314
Topic: Progress in the Agricultural and Manufacturing Industries

315. (p. 21) 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.

The service sector has grown rapidly over the past two decades. However, the growth rate has slowed in recent years.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-8
Level of Learning 2: Understanding of concepts and principles
Nickels - Chapter 01 #315
Topic: Progress in Service Industries

316. (p. 21) Which of the following organizations is an example of the goods-producing sector of the economy?

- A.** Ford Motor Company
- B. Florida State University
- C. Children's Hospital
- D. H & R Block Tax Consulting

Firms in the goods-producing sector produce tangible products. Of the organizations listed in this question, only Ford Motor Company produces a tangible product.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-8
Level of Learning 3: Application of principles
Nickels - Chapter 01 #316
Topic: Progress in Service Industries

317. (p. 20) 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-8
Level of Learning 3: Application of principles
Nickels - Chapter 01 #317
Topic: Progress in the Agricultural and Manufacturing Industries

318. (p. 21) Jenna Leigh is an information savvy, 20-something person who is trying to select between two marketing job offers. She can either join a company that makes small hammers and screwdrivers for the do-it-yourself hardware store business, or she can join a company developing the fourth generation cell phone service. She is quite impressed that the hardware business is growing quite nicely in China, Mexico, and India where people are starting to expand their living spaces. 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-8
Level of Learning 3: Application of principles
Nickels - Chapter 01 #318
Topic: Your Future in Business

319. (p. 21) The F.B.I. has a DNA database with over 6.7 million samples. It is expected to increase by another 1.2 millions samples by the year 2012. In the past, collection was limited to convicted persons, but now they will begin collecting samples from persons detained and arrested prior to conviction. This includes immigrants. The F.B.I. believes that expanding their collection to include persons presumed innocent will help in the solving of violent crimes. This new strategy is:

- A. not considered an invasion of privacy because the government already has most of our information.
- B. pointing toward the F.B.I. becoming a private security company and operating for a profit.
- C. suspect because DNA is not yet proven to be a definitive way of catching criminals, and it leads us to becoming a genetic surveillance society.
- D.** an example of an outcome of the information-based revolution discussed in business classes.

This is an example of how the information-based revolution has changed the technological environment in almost every industry, including law enforcement. Databases can now store vast amounts of information about people. Just about every industry has benefitted by the ability to collect and store information faster than ever.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-8
Level of Learning 3: Application of principles
Nickels - Chapter 01 #319
Topic: Your Future in Business

320. (p. 12 -13) Describe several ways that governments can foster entrepreneurship and encourage the creation of wealth.

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.

AACSB: Reflective Thinking
Blooms: Comprehension
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #320
Topic: The Economic and Legal Environment

321. (p. 15 -16) Describe how businesses can use technology to be more responsive to customers.

Businesses continually search for new technologies that will allow them to be more responsive to customer needs. Things such as scanners at checkout counters, inventory scanners, bar-code technology, 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 via the Internet. 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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-4
Level of Learning 3: Application of principles
Nickels - Chapter 01 #321
Topic: The Technological Environment

322. (p. 16 -17) Competition among businesses has never been greater. Identify and describe several ways that businesses can become more competitive.

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 that 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. In order 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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #322
Topic: The Competitive Environment*

323. (p. 17 -18) What is demography? Identify several demographic trends in the United States and discuss how they will impact U.S. businesses.

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 minorities and women. Many more groups are now included in diversity efforts. For example, Federated Department Stores has identified diversity groups to include seniors, the disabled, homosexuals, atheists, extroverts, introverts, married people, singles, and the devout. 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.

A second trend is the 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 middle-aged and 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.

Ageing Population. Retired people will 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 there are less than 3 workers for each retiree. The number continues to decline. People are living longer and the baby-boom generation (the largest population of people) are retiring.

To help solve this problem one option may be to allow young people to invest part of their Social Security money. This would certainly have implications for the financial services and banking industries.

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.

*AACSB: Reflective Thinking
Blooms: Synthesis
Learning Goal: 01-6
Level of Learning 3: Application of principles
Nickels - Chapter 01 #323
Topic: The Social Environment*

324. (p. 19 -20) Describe what we mean by greening and thinking green. List several ways that people and businesses are participating in the green movement. List business opportunities that may emerge from this movement.

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-7
Level of Learning 3: Application of principles
Nickels - Chapter 01 #324
Topic: The Global Environment, Thinking Green box*

325. (p. 20 -21) Trace the evolution of American business. Identify the key trends, and discuss the implications these trends have for the future.

For most of our nation's history, the agricultural sector led the way. At the beginning of the 1900s there were about 5.7 million farms.

However, at the beginning of the 21st century the number of farms had dropped to less than 2 million, and the number of farm workers had dropped to a small fraction of the number a century earlier. 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 are able to 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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-8
Level of Learning 3: Application of principles
Nickels - Chapter 01 #325
Topic: The Evolution of U.S. Business

Mini-Case

Sergio Gonzales is employed by Bigbux National Bank, one of the largest banks in the Midwest. He is a loan officer, specializing in home equity loans. Tio Raul, Sergio's favorite (and wealthiest) uncle, passed away last month and left Sergio a sizable amount of money. Sergio 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, Sergio is frustrated because he has little freedom or flexibility to deal with customers since every decision he makes must be approved by his supervisor. Besides, he's a bit bored and looking for a challenge. He thinks he might get a lot of satisfaction from owning his own business. Sergio 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!

Nickels - Chapter 01

326. (p. 5) As he explores his options, Sergio notices that some opportunities appear to be riskier than others. When considering various opportunities, Sergio 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.

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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #326
Topic: Matching Risk with Profit

327. (p. 16 -17) Sergio's frustration with his lack of freedom and flexibility at work indicates that Bigbux:

- 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.

Empowerment means giving lower-level workers the freedom and flexibility to respond quickly to customers without consulting with managers.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-5
Level of Learning 3: Application of principles
Nickels - Chapter 01 #327
Topic: The Competitive Environment

328. (p. 17) Two of his friends approached Sergio with a proposal to start a language school. Sergio is fluent in English and Spanish, and also has an education degree. Sergio is strongly considering the idea but also 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.

Legal and illegal immigrants has 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.

AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-6
Level of Learning 3: Application of principles
Nickels - Chapter 01 #328
Topic: The Social Environment

329. (p. 12 -13) As he explores his options for starting a new business, Sergio 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. Sergio's decision will be influenced by the:

- A. demographic environment.
- B. technological environment.
- C. socio-religious environment.
- D.** economic and legal environment.

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-3
Level of Learning 3: Application of principles
Nickels - Chapter 01 #329
Topic: The Economic and Legal Environment*

330. (p. 6 -7) If Sergio starts his own business, his firm's activities and policies will impact many different groups and individuals, including employees, customers, creditors, suppliers, and people living in the community where his business is located. Which of the following statements represents how Sergio should deal with these various groups? Sergio 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.

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.

*AACSB: Reflective Thinking
Blooms: Application
Learning Goal: 01-1
Level of Learning 3: Application of principles
Nickels - Chapter 01 #330
Topic: Responding to the Various Business Stakeholders*

1 Summary

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