

## TEST PLANNING TABLE FOR CHAPTER 1

<b>Learning Objective</b>	<b>Easy: Knows Basic Terms and Facts</b>	<b>Moderate: Understands Concepts and Principles</b>	<b>Challenging: Applies Principles</b>
<b>1-1:</b> Define business and discuss the role of business in the economy	1, 2, 3, 4, 5, 6, 11, 12, 13, <b>93, 94, 95, 96, 97, 98, 99, 103</b>	7, 8, 9, 14, 15, 16, <b>101, <u>186</u>, <u>187</u>, <u>189</u></b>	10, 17, <b>100, 102, 104, 105, 106, <u>188</u></b>
<b>1-2:</b> Explain the evolution of modern business	18, 22, 23, 24, 25, <b>110, 111, 112, 115, 116, 117</b>	19, 20, 21, 26, 27, <b>108, 113, 118, 119, 120</b>	<b>107, 109, 114, 121, 122, 123, 124, 125, 126, 127, <u>190</u></b>
<b>1-3:</b> Discuss the role of nonprofit organizations in the economy	28, 29, 30, 31, 32, 33, 34, <b>128</b>	35, 36, 37, <b>129, 130, 131, 132</b>	38, 39, <b>133, 134, <u>191</u></b>
<b>1-4:</b> Outline the core factors of production and how they impact the economy	40, 41, 42, 46, 47, 48, 49, 50, 51, 52, 53, <b>135, 136, 137, 143, 146, 147, 148</b>	43, 44, 54, 55, 56, <b>138, 139, 140, 142, 149, 150, 151, 152</b>	45, 57, 58, <b>141, 144, 145, 153, 154, 155, 156, <u>192</u>, <u>193</u></b>
<b>1-5:</b> Describe today's business environment and discuss each key dimension	59, 60, 62, 63, 64, 65, 66, 67, 68, 73, 74, 75, 77, 78, 79, 80, 81, 82, 85, 86, <b>157, 162, 168, 170, 171, 175, 177, 181, 182</b>	61, 69, 70, 71, 72, 76, 84, 87, 88, 89, <b>163, 164, 167, 169, 172, 178, 179</b>	83, <b>158, 159, 160, 161, 165, 166, 173, 174, 176, 180, <u>194</u>, <u>195</u>, <u>196</u>, <u>197</u>, <u>198</u>, <u>199</u></b>
<b>1-6:</b> Explain how current business trends might impact your career choices	90, 91, <b>183</b>	92, <b>184, 185</b>	<b><u>200</u></b>

True/False questions are in plain text.  
Multiple choice questions are in **bold text**.  
Essay questions are in **bold underlined text**.

*The answers are displayed:*

**ANS:** B    **DIF:** Easy    **REF:** Page 7    **OBJ:** 1-1    **NAT:** BUSPROG: Communication  
**TOP:** The Economic Environment    **KEY:** Bloom's Comprehension

**ANS:** Answer is B  
**DIF:** Difficulty Level - Easy  
**REF:** Page number of the book where the answer can be found  
**OBJ:** Learning Objective 1 in chapter 1  
**NAT:** Tier 1 Standards (Interdisciplinary Learning Outcomes)  
**TOP:** Topic – A Head/B Head of where the answer can be found  
**KEY:** Bloom's Taxonomy Tags

## Chapter 1: Business Now: Change Is the Only Constant

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### TRUE/FALSE

1. A core goal for successful businesses is to deliver value to customers while generating long-term profits.

ANS: T      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Knowledge

2. Successful firms generate long-term profits by delivering unsurpassed value to their customers.

ANS: T      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Knowledge

3. A firm will experience a loss when its revenue is less than its expenses.

ANS: T      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Knowledge

4. Business will incur a profit when expenses are higher than revenue.

ANS: F      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Knowledge

5. Profit is the money that a business earns in revenue, minus investments, and the cost of salaries.

ANS: F      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Knowledge

6. Businesses focus on consumer needs and long-term profitability.

ANS: T      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Knowledge

7. Businesses are primarily focused on creating profits by offering products and services desired by the consumer.

ANS: T      DIF: Moderate      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Knowledge

8. Entrepreneurs are motivated to risk time, money, and other resources in an effort to gain a profit for themselves. However, their efforts yield benefits to many others in society in addition to their personal profits.

ANS: T      DIF: Moderate      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Analytic      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Evaluation

9. Successful businesses embrace change and take reasonable risks.

ANS: T      DIF: Moderate      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Knowledge

10. Speedy Car Imports has a primary goal to recruit employees within its own community first because it is the responsibility of business to increase profits.

ANS: F      DIF: Challenging      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Analytic      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Evaluation

11. Quality of life is a narrow measure of social welfare that is based exclusively on the quantity and quality of goods and services produced by a society.

ANS: F      DIF: Easy      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Diversity      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Comprehension

12. Quality of life is the quality and quantity of goods and services available to a population.

ANS: F      DIF: Easy      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Knowledge

13. Standard of living is the overall sense of well-being experienced by either an individual or a group.

ANS: F      DIF: Easy      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Reflective Thinking      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Comprehension

14. When companies introduce innovative products and services worldwide, it increases the standard of living for populations.

ANS: T      DIF: Moderate      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Comprehension

15. Standard of living reflects the quality and quantity of goods available to a nation's population.

ANS: T      DIF: Moderate      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Knowledge

16. When businesses create more goods and services, their activities increase the standard of living, but have no impact on the quality of life.

ANS: F      DIF: Moderate      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Analytic      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Evaluation

17. Businesses raise the standard of living through the payment of taxes which can be used by the government to pay for socially desirable projects.

ANS: T      DIF: Challenging      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Analytic      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Evaluation

18. The Industrial Revolution era is recognized for its technological advances.

ANS: T      DIF: Easy      REF: Page 4      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

19. During the Industrial Revolution, the production process shifted from skilled artisans working in small workshops to semiskilled workers employed in huge factories.

ANS: T      DIF: Moderate      REF: Page 4      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Comprehension

20. The production era is also referred to as the era of mass production.

ANS: F      DIF: Moderate      REF: Page 4      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Application

21. The huge gains in production efficiency during the Industrial Revolution were mainly the result of changes in the nature of the production process that encouraged workers to take more pride and ownership in their work.

ANS: F      DIF: Moderate      REF: Page 4      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Analysis

22. During the entrepreneurship era, government began regulating business to protect the consumer and provide guidelines for products and services.

ANS: T      DIF: Easy      REF: Page 5      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Comprehension

23. The entrepreneurship era contributed in raising the standard of living during the 1800s.

ANS: T      DIF: Easy      REF: Page 5      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

24. During the Industrial Revolution, Henry Ford introduced the assembly line, which quickly became standard across most major manufacturing industries.

ANS: F      DIF: Easy      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

25. The production era is recognized for creating satisfied customers who act as advocates for business.

ANS: F      DIF: Easy      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Comprehension

26. Henry Ford's focus on producing a consistent and quality product represented a shift from the production era to the relationship era.

ANS: F      DIF: Moderate      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

27. The marketing era came immediately before the entrepreneurship era.

ANS: F      DIF: Moderate      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

28. Nonprofit organizations are in business to make money.

ANS: F      DIF: Easy      REF: Page 7      OBJ: 1-2  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Knowledge

29. Nonprofit organizations only focus on health, human services, and religion.

ANS: F      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Knowledge

30. A nonprofit organization's primary goal is to improve the quality of life in society.

ANS: T      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Comprehension

31. Nonprofit organizations contribute to their region's economic stability and growth.

ANS: T      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Knowledge

32. Nonprofit organizations do not play a critical role in economic development.

ANS: F      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Knowledge

33. When providing products and services, The primary goal of nonprofit organizations is to ensure community interests are addressed.

ANS: T      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Knowledge

34. Even though nonprofit organizations are not in business for a financial gain, they are still businesses in every other sense.

ANS: T      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Comprehension

35. One characteristic of all nonprofit organizations is that they do not earn any revenue.

ANS: F      DIF: Moderate      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Knowledge

36. Nonprofits are business-like establishments, although their primary goal is not to make a profit.

ANS: T      DIF: Moderate      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Comprehension

37. Nonprofit organizations can be economic magnets within a community.

ANS: T      DIF: Moderate      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Analysis

38. A group of concerned community leaders formed Homeless Help, a nonprofit organization providing shelter for homeless individuals. Aside from the fact that it doesn't seek a profit, Homeless Help is likely to operate much like a business in many respects.

ANS: T      DIF: Challenging      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Reflective Thinking  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Application

39. Sal Garmin's business offers computer support to local nonprofit organizations. If he is like most entrepreneurs, Sal's *primary* goal is to create wealth for his community.

ANS: F      DIF: Challenging      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Ethics  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Evaluation

40. Businesses and nonprofit organizations rely on factors of production to achieve their objectives.

ANS: T      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

41. Companies use capital to produce goods and services.

ANS: T      DIF: Easy      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

42. Capital, as a factor of production, includes machines, tools, buildings, information, and technology.

ANS: T      DIF: Easy      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

43. People can create natural resources by growing and harvesting agricultural products.

ANS: F      DIF: Moderate      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

44. Factors of production are the resources a business needs to achieve its objectives.

ANS: T      DIF: Moderate      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Application



45. Using corn to create ethanol as an alternative fuel source will increase the price of corn products in the grocery store.

ANS: T      DIF: Challenging      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Reflective Thinking  
TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Evaluation

46. The four factors of production are natural resources, capital, human resources, and entrepreneurship.

ANS: T      DIF: Easy      REF: Pages 7-8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

47. Capital, as a factor of production includes stocks, bonds and other investments.

ANS: F      DIF: Easy      REF: Pages 7-8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

48. Education and motivation have become increasingly important to human resource development with the use of technology to replace manual labor jobs.

ANS: T      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

49. The four factors of production are natural resources, capital, money, and entrepreneurship.

ANS: F      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

50. China has seen a decrease in growth as a result of their strict regulations and failure to support free enterprise.

ANS: F      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

51. Human resources is a factor that includes the physical, intellectual, and creative contributions of everyone who works within an economy.

ANS: T      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

52. Entrepreneurs are primarily motivated by the desire to help others.

ANS: F      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

53. Entrepreneurs are individuals willing to take the risk of owning and operating a business.

ANS: T      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

54. In the context of factors of production, the term capital means the money businesses use to finance their operations.

ANS: F      DIF: Moderate      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Analysis

55. Differences in the factors of production among countries can help explain the differences of wealth among nations.

ANS: T      DIF: Moderate      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Diversity      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Evaluation

56. Entrepreneurship is the resource that appears to be the most important determinant of economic growth.

ANS: T      DIF: Moderate      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Application

57. Susan is the human resources director at ABC Cosmetics. In her job, she is responsible for recruiting, hiring, and training employees, and she is considered a factor of production for the company.

ANS: T      DIF: Challenging      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Analysis

58. Scott started mowing his neighbor's lawn while he was in school. After returning from college, he started a landscaping business and hired some of his friends. Scott is an entrepreneur.

ANS: T      DIF: Challenging      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Reflective Thinking  
TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Synthesis

59. There are three key dimensions to the business environment: financial, technical, and ethical.

ANS: F      DIF: Easy      REF: Page 8      OBJ: 1-5  
NAT: BUSPROG: Communication  
TOP: The Business Environment: The Context for Success      KEY: Bloom's Knowledge

60. The government in the United States has helped foster free enterprise and fair competition by reducing the risks of starting and running a business.

ANS: T      DIF: Easy      REF: Page 9      OBJ: 1-5  
NAT: BUSPROG: Ethics      TOP: The Economic Environment  
KEY: Bloom's Comprehension

61. The economic dimension of the business environment includes U.S. Government legislation that supports enforceable contracts.

ANS: T      DIF: Moderate      REF: Page 9      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Economic Environment  
KEY: Bloom's Knowledge

62. The ethical meltdowns at major corporations such as Enron and WorldCom can increase the cost of doing business for everyone.

ANS: T      DIF: Easy      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Ethics      TOP: The Economic Environment  
KEY: Bloom's Application

63. Speed-to-market, the rate at which a firm transforms concepts into actual products, can be an important competitive advantage to a firm.

ANS: T      DIF: Easy      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Competitive Environment  
KEY: Bloom's Knowledge

64. Speed-to-market is the rate at which a company's competitors copy its new product innovations.

ANS: F      DIF: Easy      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Competitive Environment  
KEY: Bloom's Comprehension

65. Value is defined as the relationship between the price of a good or service and the benefit that it offers a consumer.

ANS: T      DIF: Easy      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Knowledge

66. Greater levels of customer satisfaction often translate into higher profits.

ANS: T      DIF: Easy      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Comprehension

67. WebVan, an Internet-based grocery delivery service, launched during the late 1990s is an example of speed-to-market.

ANS: F      DIF: Easy      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Competitive Environment  
KEY: Bloom's Knowledge

68. Successful firms realize imagination and innovation can be used to deliver value to their customers.

ANS: T      DIF: Easy      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Analysis      TOP: The Competitive Environment  
KEY: Bloom's Comprehension

69. A key trend in the competitive dimension of the business environment is the tendency of an increasing number of firms to focus on short-run profitability.

ANS: F      DIF: Moderate      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Analysis

70. Domestic Corruption is at an all time high in the United States do to a lack of regulations and legislation.

ANS: F      DIF: Moderate      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Ethics      TOP: The Economic Environment  
KEY: Bloom's Comprehension

71. Leading-edge firms offer products sooner than bleeding-edge firms.

ANS: F      DIF: Moderate      REF: Pages 10-11      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Analysis

72. Satellite systems that are built to enhance wireless communications represent an effective use of business technology.

ANS: T      DIF: Moderate      REF: Page 11      OBJ: 1-5  
NAT: BUSPROG: Technology      TOP: The Technological Environment  
KEY: Bloom's Application

73. Excellent products and superb top management play no role in employee satisfaction.

ANS: F      DIF: Easy      REF: Page 11      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Competitive Environment  
KEY: Bloom's Knowledge

74. Investing in worker satisfaction will not affect profitability of a business.

ANS: F      DIF: Easy      REF: Page 11      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Workforce Advantage  
KEY: Bloom's Knowledge

75. The only advantage of technology in business is that it increases business's effectiveness.

ANS: F      DIF: Easy      REF: Page 11      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Technological Environment  
KEY: Bloom's Comprehension

76. It's more important for a firm to launch a new product before its competitors do, than for the products to meet the needs of customers.

ANS: F      DIF: Moderate      REF: Page 11      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Analysis

77. Business transactions that occur online are examples of I-commerce.

ANS: F      DIF: Easy      REF: Page 12      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Technological Environment  
KEY: Bloom's Knowledge

78. Demographics are measurable characteristics of a population.

ANS: T      DIF: Easy      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Social Environment  
KEY: Bloom's Knowledge

79. Demographic factors that affect business include population size and density, age, gender, race, education, and income.

ANS: T      DIF: Easy      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Social Environment  
KEY: Bloom's Knowledge

80. The World Wide Web allows computer users to easily access and share information on the Internet via text, graphics, video, apps, and animation.

ANS: T      DIF: Easy      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Technological Environment  
KEY: Bloom's Comprehension

81. Demographics is the study and measurement of characteristics of a population including traits such as age, education, and income level.

ANS: T      DIF: Easy      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Social Environment  
KEY: Bloom's Comprehension

82. Growing ethnic populations represent the potential for profits if companies orient their marketing programs to pursue them.

ANS: T      DIF: Easy      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Social Environment  
KEY: Bloom's Knowledge

83. Online technology benefits leading-edge firms by providing value to their customers.

ANS: T      DIF: Challenging      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Technology      TOP: The Technological Environment  
KEY: Bloom's Evaluation

84. Diversity, the aging population, rising worker expectations, ethics, and social responsibility are all challenges for human resource managers in recruiting, training, and managing employees.

ANS: T      DIF: Moderate      REF: Page 14      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Social Environment  
KEY: Bloom's Evaluation

85. High profile ethical meltdowns such as Enron and WorldCom have forced the Federal government to pass legislation demanding transparent financial management and more accountability from senior executives.

ANS: T      DIF: Easy      REF: Page 15      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Social Environment  
KEY: Bloom's Comprehension

86. Sustainability is a company's ability to stay in business even when they are not making a profit.

ANS: F      DIF: Easy      REF: Page 15      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Social Environment  
KEY: Bloom's Comprehension

87. Typically, socially responsible businesses act as advocates for the well-being of the community.

ANS: T      DIF: Moderate      REF: Page 15      OBJ: 1-5  
NAT: BUSPROG: Ethics      TOP: The Social Environment  
KEY: Bloom's Evaluation

88. The retirement of the baby boomer generation does not concern U.S. companies because there are so many people who need a job and the baby boomers can be easily replaced.

ANS: F      DIF: Moderate      REF: Page 15      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Social Environment  
KEY: Bloom's Evaluation

89. The 1995 re-negotiation of the General Agreement on Tariffs and Trade (GATT) resulted in goods moving more freely than ever across international boundaries.

ANS: T      DIF: Moderate      REF: Page 16      OBJ: 1-5  
NAT: BUSPROG: Ethics      TOP: The Global Environment  
KEY: Bloom's Analysis

90. Career counselors encourage students to choose a career with an eye toward how much money they will be paid in an effort to be happy.

ANS: F      DIF: Easy      REF: Page 16      OBJ: 1-6  
NAT: BUSPROG: Communication      TOP: Business and You: Making It Personal  
KEY: Bloom's Comprehension

91. Following your passion in making a career choice is foolish and not supported by the broader business environment.

ANS: F      DIF: Easy      REF: Page 16      OBJ: 1-6  
NAT: BUSPROG: Communication      TOP: Business and You: Making It Personal  
KEY: Bloom's Knowledge

92. Following your passion in making career choices can lead to financial and personal success.

ANS: T      DIF: Moderate      REF: Page 16      OBJ: 1-6  
NAT: BUSPROG: Communication      TOP: Business and You: Making It Personal  
KEY: Bloom's Knowledge

### MULTIPLE CHOICE

93. A \_\_\_\_\_ is any activity that provides goods and services in an effort to earn a profit.
- a) core goal
  - b) business
  - c) value
  - d) all of the above

ANS: B      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Knowledge

94. The core goal of business is to generate long-term \_\_\_\_\_ by delivering \_\_\_\_\_ to their customers.
- a) value; product
  - b) profits; value
  - c) profits; security
  - d) value; profits

ANS: B      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Comprehension

95. Business will incur a \_\_\_\_\_ when expenses are higher than revenue.
- a) risk
  - b) profit
  - c) surplus
  - d) loss

ANS: D      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Comprehension

96. A business's core goal is to generate long term profits while delivering \_\_\_\_\_ to its customers.
- a) Value
  - b) data
  - c) communication
  - d) consistency

ANS: A      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Knowledge

97. To be successful, entrepreneurs must be comfortable risking their money and \_\_\_\_\_ to start and manage a business.
- a) time
  - b) standard of living
  - c) revenue
  - d) freedom

ANS: A      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Knowledge

98. Entrepreneurs
- a) are primarily motivated by the desire to help others.
  - b) create value for themselves at the expense of others.
  - c) have little or no impact on others in society.
  - d) create benefits for others while seeking profit for themselves.

ANS: D      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Analytic      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Comprehension

99. Successful firms of today would
- a) take risks.
  - b) embrace change.
  - c) focus on generating short-term profits.
  - d) avoid new opportunities if what they are currently doing works well.

ANS: B      DIF: Easy      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Communication      TOP: Business Now: Moving at Breakneck Speed  
KEY: Bloom's Comprehension

100. Which of the following would be considered a business, according to the definition in the text?
- a) A firm that specializes in providing consultations for at-risk teens, funded by the state.
  - b) A private charity that is sitting on a \$2B endowment.
  - c) A Web design company that needs to make changes in staffing and deployment, because of a change in tax law, before it can become profitable.
  - d) A federal agency that writes and enforces environmental regulations.

ANS: C      DIF: Challenging      REF: Page 3      OBJ: 1-1  
NAT: BUSPROG: Reflective Thinking  
TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Evaluation



101. Entrepreneurship is a growing trend in the U.S. and is likely to grow yet further for all of the following reasons EXCEPT
- a) there is little risk in being an entrepreneur.
  - b) the success of high profile entrepreneurs will likely spark increased interest.
  - c) the profit incentive is a powerful motivator.
  - d) two-thirds of college students plan to launch their own business at some point in their career.

ANS: A      DIF: Moderate  
NAT: BUSPROG: Analytic  
KEY: Bloom's Analysis

REF: Page 3      OBJ: 1-1  
TOP: Business Basics: Some Key Definitions

102. Jill, an entrepreneur, started a company and invented a power generator that will make fossil fuels obsolete in ten years. What should be the role of her business in society, and what should her company do?
- a) By deploying her generator through careful licensing and patenting to protect her property, her firm will not only build wealth but will also drive up the standard of living.
  - b) Jill's firm should voluntarily surrender her invention to the U.S. Government in the interest of national security. The role of her business is to pay into the system, ensuring the well-being of the nation.
  - c) Since her firm will run the oil companies out of business and possibly cause economic chaos as the world tries to adjust to the changing technology, Jill should try to find a way to minimize her company's impact, and sit on her invention for now.
  - d) Jill should donate her company's invention to the world. Such a machine should be free, and not be used just to make someone rich.

ANS: A      DIF: Challenging  
NAT: BUSPROG: Reflective Thinking  
KEY: Bloom's Synthesis

REF: Pages 3-4      OBJ: 1-1  
TOP: Business Basics: Some Key Definitions

103. \_\_\_\_\_ refers to the quality and quantity of products and goods available to a population at a given time.
- a) Quality of life
  - b) Economic growth
  - c) Entrepreneurship
  - d) Standard of living

ANS: D      DIF: Easy  
NAT: BUSPROG: Analytic  
KEY: Bloom's Comprehension

REF: Page 4      OBJ: 1-1  
TOP: Business Basics: Some Key Definitions

104. World B. Free has not received a raise for the past four years, but he is generally happy with the political freedom he enjoys and the clean natural environment even though the price of goods and services has increased. It can be assumed that World B. Free's standard of living has \_\_\_\_\_ and his quality of life has \_\_\_\_\_.
- a) increased; decreased
  - b) decrease; decreased
  - c) increased; increased
  - d) decrease; increased

ANS: D      DIF: Challenging  
NAT: BUSPROG: Reflective Thinking  
TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Evaluation

REF: Page 4      OBJ: 1-1

105. Big Poppa's Pizzeria will be opening three new locations, bringing new jobs to its community. It also plans to purchase all ingredients from local farms and merchants. With these actions, Big Poppa's Pizzeria is contributing to a higher \_\_\_\_\_ for its town's citizens.
- a) environmental standard
  - b) quality of life
  - c) city tax base
  - d) standard of living

ANS: D      DIF: Challenging      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Analytic      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Synthesis

106. Cosmetico Inc. is launching a line of low-priced, single-use packs of lotion, shampoo, toothpaste, and makeup targeted to women in poor countries who don't have access to these products. Cosmetico's products directly increase the \_\_\_\_\_ for these customers.
- a) standard of living
  - b) family stability
  - c) quality of life
  - d) social involvement

ANS: C      DIF: Challenging      REF: Page 4      OBJ: 1-1  
NAT: BUSPROG: Diversity      TOP: Business Basics: Some Key Definitions  
KEY: Bloom's Evaluation

107. In regard to the history of American business, what environment typified the Industrial Revolution?
- a) Technology, environmental responsibility, and the customer were the impetus for all businesses. Firms were local, small, and adhered to just principles and sound ethics.
  - b) There was unprecedented production efficiency, but also a loss of individual ownership and personal pride in the production process.
  - c) The assembly line was largely responsible for the end of the skilled, highly paid worker. A new unskilled labor force was needed, and typically did not earn as much as a result.
  - d) Industrial titans built business empires and raised the overall standard of living across the country.

ANS: B      DIF: Challenging      REF: Page 4      OBJ: 1-2  
NAT: BUSPROG: Reflective Thinking  
TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

108. \_\_\_\_\_ boomed as mass production took hold during the Industrial Revolution.
- a) Factory production
  - b) Marketing concept
  - c) Skilled artisan workshops
  - d) Entrepreneurship

ANS: A      DIF: Moderate      REF: Page 4      OBJ: 1-2  
NAT: BUSPROG: Analytic  
TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Analysis

109. A negative aspect of the entrepreneurship era was that
- a) powerful businesses gained the ability to manipulate prices and exploit workers.
  - b) productivity declined in many key industries as work shifted away from mass production to more labor intensive methods.
  - c) governments began running huge deficits.
  - d) inflation spiraled out of control, resulting in a decline in the standard of living.

ANS: A      DIF: Challenging      REF: Page 5      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

110. The evolution of business included the
- a) technological era.
  - b) economic era.
  - c) competitive era.
  - d) entrepreneurship era.

ANS: D      DIF: Easy      REF: Page 5      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Comprehension

111. It was during this era that many businesses began to dominate their markets, forcing out competitors, manipulating prices, and exploiting workers, which lead the government to pass laws regulating business.
- a) Industrial Revolution
  - b) Entrepreneurship Era
  - c) Production Era
  - d) Marketing Era

ANS: B      DIF: Easy      REF: Page 5      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

112. All of the following are examples of the five distinct eras of American business history EXCEPT the
- a) Industrial Revolution.
  - b) entrepreneurship era.
  - c) technology era.
  - d) relationship era.

ANS: C      DIF: Easy      REF: Pages 5-6      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

113. The production era is recognized for
- a) increasingly specialized jobs, resulting in higher productivity and lower costs and prices.
  - b) power shifting away from business toward consumers.
  - c) the rise of monopoly power giving big business the ability to raise prices almost at will.
  - d) creating satisfied customers who act as advocates for business.

ANS: A      DIF: Moderate      REF: Pages 5-6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Analysis

114. During the production era, companies continued to implement new technologies to streamline production processes. Although there were many changes, the primary focus resulted in
- a) refinement, efficiencies, and entrepreneurship.
  - b) marketing, consumer orientation, and job specialization.
  - c) competition, marketing, and refinement.
  - d) job specialization, efficiencies, and refinement.

ANS: D      DIF: Challenging      REF: Pages 5-6      OBJ: 1-2  
NAT: BUSPROG: Reflective Thinking  
TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Synthesis

115. The marketing era introduced
- a) the marketing strategy.
  - b) the 4 Ps of marketing.
  - c) the marketing approach.
  - d) the marketing concept.

ANS: D      DIF: Easy      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

116. The relationship era introduced the idea
- a) that customers are disposable.
  - b) that cultivating current customers is more profitable than constantly seeking new ones.
  - c) of the marketing concept.
  - d) of aggressive persuasion designed to separate consumers from their cash.

ANS: B      DIF: Easy      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

117. The hard sell or aggressive persuasion designed to separate consumers from their cash emerged during the
- a) Industrial Revolution.
  - b) entrepreneurship era.
  - c) production era.
  - d) relationship era.

ANS: C      DIF: Easy      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Communication      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Knowledge

118. During the Relationship Era, businesses believed it was more profitable to
- a) concentrate on attracting new customers.
  - b) cultivating current customers by using technology.
  - c) focusing on immediate customer transactions.
  - d) focus on print advertising and not customer satisfaction.

ANS: B      DIF: Moderate      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Technology  
TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

119. Hair It Is, operates two wellness spas in the Miami area. Company employees work hard to develop long-term relationships by calling customers to make sure they are satisfied with the recent visit to the spas and hosting free wellness evaluations. Hair It Is, is using concepts from the

- a) entrepreneurship era.
- b) production era.
- c) relationship era.
- d) technology era.

ANS: C      DIF: Moderate      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Application

120. During the marketing era consumers found
- a) fewer choices for goods and services.
  - b) fewer businesses offering goods and services.
  - c) more limits on spending.
  - d) more choices for goods and services.

ANS: D      DIF: Moderate      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Application

121. Which of the following statements is most consistent with the marketing concept?
- a) The primary purpose of a business is to dominate its market.
  - b) Consumers always care more about price than about quality.
  - c) All aspects of a business organization should focus on the needs of the customer.
  - d) Controlling the market for natural resources can give a firm a huge competitive advantage.

ANS: C      DIF: Challenging      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Reflective Thinking      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

122. Businesses in the relationship era focus efforts on building long-term customer relationships. To accomplish this, a key tool for business development during this era is
- a) production.
  - b) services.
  - c) technology.
  - d) entrepreneurship.

ANS: C      DIF: Challenging      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Technology      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

123. During the marketing era, businesses concentrated on
- a) hard selling designed to convince people to buy products.
  - b) building long-term customer relationships.
  - c) developing brands to differentiate their products from those of competitors.
  - d) none of the above.

ANS: C      DIF: Challenging      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

124. A small consulting company in Waikiki, Hawaii struggles financially because of limited access to economic resources. This company has to get creative to build long-term bonds with its current customers and use technology to reach new customers using concepts from the
- a) entrepreneur era.
  - b) relationship era.
  - c) production era.
  - d) marketing era.

ANS: B      DIF: Challenging      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Reflective Thinking  
TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

125. Which of the following is a key feature of an organization that adopts the marketing concept?
- a) Departments throughout the organization adopt a customer orientation.
  - b) Executive management and the board of directors focus mainly of the financial aspects of the company's operations.
  - c) The marketing department is seen as the only department capable of creating lasting value.
  - d) The goal of the organization is to maximize market share by keeping prices as low as possible.

ANS: A      DIF: Challenging      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Analysis

126. As products flooded the market after World War II, firms responded by
- a) cultivating their customers.
  - b) focusing on a low-cost strategy.
  - c) adopting a bleeding-edge approach to the introduction of products in an attempt to be first to market.
  - d) branding their products to create distinctive identities.

ANS: D      DIF: Challenging      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Analytic      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

127. In today's business environment, which of the following scenarios would be most realistic?
- a) Sally buys an item that is not the same as what is illustrated on the package. When she tries to return it the shopkeeper tells her, "tough luck." Then he pushes her aside as he tries to sell the same thing to the very next customer.
  - b) Howard owns a business that produces seeds for farmers. His most profitable line of seed is also the one that might be the cause of some strange conditions in the waterway beside his main production facility. He dismisses the idea of responsibility because there are no laws that require him to address the issue.
  - c) Jimbo's Limbo Sticks are selling like hotcakes all across the fruited plain. This is because of a very popular nationwide advertising campaign that has made Jimbo's the only brand the kids want.
  - d) When Audrey bought her new appliance, she considered its merits. Not only was she well-informed as to its reliability and capabilities, but she also knew what her friend Mae thought about it--because she owned one as well, and recommended it to Audrey.

ANS: D      DIF: Challenging      REF: Page 6      OBJ: 1-2  
NAT: BUSPROG: Reflective Thinking      TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

128. Nonprofit organizations are not in the business of
- a) producing a product.
  - b) generating revenue.
  - c) improving the quality of life in our society.
  - d) financial gain.

ANS: D      DIF: Easy      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Knowledge

129. Nonprofit organizations contribute to our region's economic stability and growth by employing approximately one in ten workers
- a) worldwide.
  - b) statewide.
  - c) nationwide.
  - d) citywide.

ANS: C      DIF: Moderate      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Application

130. A type of nonprofit organization would be a
- a) museum.
  - b) post office.
  - c) restaurant.
  - d) university.

ANS: A      DIF: Moderate      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Comprehension

131. Nonprofit organizations play a critical role in all of the following EXCEPT the
- a) community.
  - b) economy.
  - c) government.
  - d) Federal Reserve.

ANS: D      DIF: Moderate      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Analysis

132. Nonprofit organizations are commonly known for supporting:
- a) the travel industry.
  - b) the construction industry
  - c) the arts industry.
  - d) the food service industry.

ANS: C      DIF: Moderate      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Communication  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Comprehension

133. Urban Teens, a nonprofit organization, provides 12-18-year-olds with housing when families are affected by domestic violence. As a nonprofit organization, Urban Teens's primary goal is to reinvest money raised for the purpose of
- a) care for these teenagers.
  - b) care for the families of teenagers receiving counseling.
  - c) promoting the program community wide.
  - d) all of the above.

ANS: D      DIF: Challenging      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Reflective Thinking  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Evaluation

134. Which of the following features best describe a nonprofit?
- a) product, revenue, employees, and sales
  - b) the desire to do good
  - c) the desire and ability to do good through the sale of a lifesaving apparatus
  - d) product or service, employees, revenue, sales, and a primary purpose of doing good

ANS: D      DIF: Challenging      REF: Page 7      OBJ: 1-3  
NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Evaluation

135. Natural resources include
- a) printing money, building offices, and creating wealth.
  - b) only the mineral deposits used by a business to make products.
  - c) all people working in the business to create value.
  - d) all inputs offering value in their natural state such as land, fresh water, wind, and mineral deposits.

ANS: D      DIF: Easy      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

136. As a factor of production, capital would include
- a) machines, money, tools, and buildings.
  - b) money, land, labor, and entrepreneurship.
  - c) machines, tools, buildings, and technology.
  - d) an entrepreneur's freedoms.

ANS: C      DIF: Easy      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge



137. Which of the following is not considered a natural resource?

- a) fresh water
- b) wind
- c) soybeans
- d) coal

ANS: C      DIF: Easy      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

138. Which of the following is the best example of a natural resource?

- a) iron ore
- b) the effort supplied by an assembly line worker
- c) entrepreneurship
- d) corn grown on a farm

ANS: A      DIF: Moderate      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

139. Your college has contracted with a construction company to build a new bookstore. The heavy machinery and equipment the contractor will use in the construction process are classified as

- a) current resources.
- b) human resources.
- c) natural resources.
- d) capital.

ANS: D      DIF: Moderate      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

140. Timber, water, coal deposits, and solar energy all would be classified as

- a) noneconomic factors.
- b) natural resources.
- c) pure capital.
- d) base inputs.

ANS: B      DIF: Moderate      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

141. ExxonMobil uses natural resources, such as reserves of petroleum, to produce its goods and services. The value of these resources is likely to

- a) remain constant, because natural resources are created by natural forces and don't respond to market forces.
- b) rise with either an increase in demand or with a decrease in supply.
- c) fall with increased demand and rise with increased supply.
- d) rise with decreased demand but remain steady when supply falls.

ANS: B      DIF: Challenging      REF: Page 7      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Evaluation

142. Tariq has just received a grant from the Small Business Administration to open a printing shop in his community. He will be leasing computers, copiers, scanners, and printers. These items represent his need for
- a) natural resources.
  - b) capital.
  - c) value.
  - d) human resources.

ANS: B      DIF: Challenging      REF: Pages 7-8      OBJ: 1-4  
NAT: BUSPROG: Technology      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Application

143. The four major categories of factors of production are
- a) technology, law, capital, and ingenuity.
  - b) natural resources, capital, human resources, and entrepreneurship.
  - c) economic power, money, technology, and agriculture.
  - d) knowledge, human resources, capital, and technology.

ANS: B      DIF: Easy      REF: Pages 7-8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

144. John Blue has started his own Internet business, Blueways.com, offering online ordering of refurbished computer parts. His business has experienced a slower than usual start due to higher than expected costs for capital resources. Those expenses could have included
- a) buildings, money, and skilled labor.
  - b) computers, cables, Internet service, copiers, and software.
  - c) raw materials, money, and employee training.
  - d) advertising and financial costs.

ANS: B      DIF: Challenging      REF: Pages 7-8      OBJ: 1-4  
NAT: BUSPROG: Technology      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Evaluation

145. Janet owns a modern 600-acre farm that grows corn and soybeans. Which factors of production will Janet need to employ to produce her crops?
- a) natural resources, human resources, capital, and entrepreneurship
  - b) natural and human resources
  - c) capital and human resources
  - d) entrepreneurship and capital

ANS: A      DIF: Challenging      REF: Pages 7-8      OBJ: 1-4  
NAT: BUSPROG: Reflective Thinking      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Synthesis

146. Human resources include the
- a) physical, intellectual, and creative contributions of individuals working within an economy.
  - b) generic, standard, and valued individuals working for a business.
  - c) technology and synthetic resources of business productivity.
  - d) number of manual labor jobs in a company.

ANS: A      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

147. Given the importance of \_\_\_\_\_ to workforce effectiveness, some business experts, such as management guru Peter Drucker, separate this factor from human resources.
- a) capital
  - b) natural resources
  - c) entrepreneurship
  - d) knowledge

ANS: D      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

148. Entrepreneurs need economic freedom to thrive. Those freedoms include
- a) freedom to make money, freedom to hire people, and freedom from taxation.
  - b) freedom of choice, freedom from excess regulation, and freedom from too much taxation.
  - c) freedom to hire people, freedom to compete, and freedom from all regulation.
  - d) freedom to make money, freedom from taxation, and freedom from regulation.

ANS: B      DIF: Easy      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

149. Although Russia is rich in human resources and natural resources the country ranks relatively low in terms of gross national income per person. The missing ingredient seems to be lack of entrepreneurship due to
- a) corruption.
  - b) rising tax rates.
  - c) government actively encouraging citizens to work for large multinational companies.
  - d) decreasing population.

ANS: A      DIF: Moderate      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Comprehension

150. All of the following are basic freedoms encouraging entrepreneurship EXCEPT
- a) freedom of choice
  - b) freedom from excess regulation
  - c) freedom of guaranteed profits
  - d) freedom from too much taxation

ANS: C      DIF: Moderate      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Communication      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Knowledge

151. Too much taxation, an overuse of regulation, and limited choices in the broader business environment are likely to result in
- a) a decrease in entrepreneurial activities.
  - b) an increase in entrepreneurship.
  - c) an increase in global trade.
  - d) a social crisis.

ANS: A      DIF: Moderate      REF: Page 8      OBJ: 1-4  
 NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
 KEY: Bloom's Analysis

152. Technological advancements have allowed businesses to replace the manual labor employees with technology requiring human resources to focus on
- a) educating and motivating their employees.
  - b) investing in more capital.
  - c) decreasing the amount they pay for natural resources.
  - d) producing more products.

ANS: A      DIF: Moderate      REF: Page 8      OBJ: 1-4  
 NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
 KEY: Bloom's Analysis

153. Children's Campground is a summer program for school-aged children. It advertises that there is one counselor for every four children and that several other highly-trained professionals are on staff. Its advertisements indicate that Children's Campground relies heavily on \_\_\_\_\_ to provide its services.
- a) natural resources
  - b) human resources
  - c) entrepreneurship
  - d) capital

ANS: B      DIF: Challenging      REF: Page 8      OBJ: 1-4  
 NAT: BUSPROG: Reflective Thinking  
 TOP: Factors of Production: The Basic Building Blocks  
 KEY: Bloom's Application

154. Sabiha will be opening her catering business soon but still needs to hire a few more employees to fill the schedule. As an entrepreneur, she enjoys certain economic freedoms and
- a) can hire whomever she chooses.
  - b) can hire employees after she completes a Small Business Administration training program.
  - c) will be given her labor force once she pays her business taxes.
  - d) will hire only those employing natural resources.

ANS: A      DIF: Challenging      REF: Page 8      OBJ: 1-4  
 NAT: BUSPROG: Reflective Thinking  
 TOP: Factors of Production: The Basic Building Blocks  
 KEY: Bloom's Evaluation

155. Samuel lives in a community where many residents are retirees. He wants to open an exercise facility specifically for the active senior citizens aged 65 and older. Samuel knows that starting a new business will require a large amount of work and entails risk, but given the large number of senior citizens in the area, he believes he should be able to sell enough memberships to make a profit. Samuel is an example of a(n)
- a) corporate manager.
  - b) consultant.
  - c) entrepreneur.
  - d) capital provider.

ANS: C      DIF: Challenging      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Reflective Thinking  
TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Application

156. Of the factors of production, which is considered the most important?
- a) Natural resources. Once we finally deplete the earth's reserves of oil, water, natural gas, and even precious metals, it will be game over.
  - b) Human resources. Without the physical, intellectual, and creative contributions of the people in an economy, there is no economy.
  - c) Entrepreneurship. Even with limited natural or human resources, or even limited capital, the entrepreneur can create wealth, craft vision, see opportunity, and move forward.
  - d) Capital. It's the most important factor because information is key. Without technology and tools, modern society would crumble.

ANS: C      DIF: Challenging      REF: Page 8      OBJ: 1-4  
NAT: BUSPROG: Analytic      TOP: Factors of Production: The Basic Building Blocks  
KEY: Bloom's Evaluation

157. The five key dimensions of the broader business environment include
- a) economic, competitive, technological, social, and global.
  - b) technological, economic, demographic, global, and social.
  - c) global, social, technological, market forces, and value.
  - d) customers, vendors, suppliers, wholesalers, and retailers.

ANS: A      DIF: Easy      REF: Page 8      OBJ: 1-5  
NAT: BUSPROG: Communication  
TOP: The Business Environment: The Context for Success  
KEY: Bloom's Knowledge

158. Entrepreneurs participate in which business environments?
- a) competitive, economic, and social
  - b) capital, economic, and competitive
  - c) human resources, competitive, and social
  - d) economic, competitive, technological, social, and global

ANS: D      DIF: Challenging      REF: Page 8      OBJ: 1-5  
NAT: BUSPROG: Reflective Thinking  
TOP: The Business Environment: The Context for Success  
KEY: Bloom's Synthesis

159. Global Gyroscopes, Inc. had a rough year: sales are down 42% year on year. However, a new market segment, unknown to its competition, has just been found and promises to increase sales numbers substantially. In Congress, new legislation has been passed in favor of labor unions that will force Global Gyroscopes to make drastic changes to its product because of the added cost of doing business. However, due to a loophole in the law, a foreign company that also manufactures gyroscopes will not be subject to the same legal provisions as Global. Of the five dimensions of the business environment, which of the following would BEST apply to the above scenario?
- a) social, technological, and global environments
  - b) global, competitive, and economic environments
  - c) social, global, competitive, technological, and economic environments
  - d) technological, social, global, and competitive environments

ANS: C      DIF: Challenging      REF: Pages 8-16      OBJ: 1-5  
 NAT: BUSPROG: Reflective Thinking  
 TOP: The Business Environment: The Context for Success  
 KEY: Bloom's Synthesis

160. What is attributable to the mass migration of jobs from the United States to China, India, and other foreign nations?
- Free trade agreements like GATT and NAFTA, and trade zones such as the European Union.
  - Cost of living/doing business differences between the U.S. and other countries.
  - Technological advances that allow business to be scaled globally while gaining higher efficiency.
  - All of the above, including relatively higher federal and state taxes, inflexible and powerful union contracts with big businesses, and sometimes stringent government regulation in America.

ANS: D      DIF: Challenging      REF: Pages 8-16      OBJ: 1-5  
 NAT: BUSPROG: Analytic  
 TOP: The Business Environment: The Context for Success  
 KEY: Bloom's Evaluation

161. Which of the following best describes the current business environment?
- The new green economy is the next "big thing," and private industry is racing to keep up with consumer demand for all things sustainable. There is a huge amount of money to be made if a company can successfully brand itself as green.
  - Government spending is of great concern, as well as its accompanying tax burden in a wild economic environment. But technology has not yet found a limit. The entrepreneurial spirit is alive and well in America, though competition has increased exponentially due to international trade agreements.
  - Cultural and religious differences have splintered society into isolated pockets of specialized economies that are not interconnected. Terrorism is on the rise, and military conflicts are increasingly harder to win decisively.
  - Government regulation and high tariffs are dousing the fires of productivity. America will diminish in importance internationally because of the rise of China and India as economic powerhouses, and the standard of living for most Americans will decrease.

ANS: B      DIF: Challenging      REF: Pages 8-16      OBJ: 1-5  
 NAT: BUSPROG: Reflective Thinking  
 TOP: The Business Environment: The Context for Success  
 KEY: Bloom's Synthesis

162. The stock market, housing foreclosures, and unemployment rates are all part of an organizations' \_\_\_\_\_ environment.
- competitive
  - global
  - economic
  - social

ANS: C      DIF: Easy      REF: Page 9      OBJ: 1-5  
 NAT: BUSPROG: Communication      TOP: The Economic Environment  
 KEY: Bloom's Knowledge

163. Government agencies such as the Small Business Administration and the Federal Trade Commission help reduce the risk of starting and running a business. The result of these efforts leads to
- a) free money for businesses and their customers.
  - b) grants for start-up costs.
  - c) free enterprise and fair competition.
  - d) a guarantee that small businesses will succeed with little competition.

ANS: C      DIF: Moderate      REF: Page 9      OBJ: 1-5  
NAT: BUSPROG: Ethics      TOP: The Economic Environment  
KEY: Bloom's Analysis

164. Of the following, which is the best way for firms to enhance customer satisfaction?
- a) by providing lower-priced products
  - b) by providing greater value
  - c) by providing effective advertising and promotion
  - d) by providing the greatest quality

ANS: B      DIF: Moderate      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Analysis

165. Dan, the founder of Four Muddy Paws, discovered that dog owners were willing to spend extra money on unique, healthy treats for their pets. The company immediately launched a selection of organic, flavored dog bones. The company also changes flavors and adds new flavors regularly, well before its competitors do. Four Muddy Paws uses the concept of \_\_\_\_\_ to maintain its competitive lead.
- a) market research
  - b) speed-to-market
  - c) customer timing
  - d) market value

ANS: B      DIF: Challenging      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Application

166. Super King Groceries competes with some of the larger chain stores in the area and offer services not provided by their competitors (i.e., car service, curbside service, delivery service). Because Super King is not as large as some retailers, prices are moderately higher. This does not seem to hurt the store's business due to the fact that
- a) customers just don't like the competitor's products.
  - b) Super King has better food.
  - c) Super King's employees are friendlier.
  - d) Super King customers receive value not provided by the other stores.

ANS: D      DIF: Challenging      REF: Page 10      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Evaluation

167. Before sales of its iPad 1 reached its peak, Apple launched the iPad 2, which took sales from the iPad 1 but also beat competitors product offerings to market. This move helped Apple maintain its standing as a leading-edge company in tablet PCs and demonstrates the importance of \_\_\_\_\_ as a competitive advantage.
- a) speed-to-market
  - b) product research
  - c) retail-fast-track
  - d) strategic planning

ANS: A      DIF: Moderate      REF: Pages 10-11      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Application

168. The S&P 500 attributes an increase in the annual rate of return for firms in 2009 to
- a) employee satisfaction.
  - b) strong stock performance.
  - c) excellent products.
  - d) superb top management.

ANS: A      DIF: Easy      REF: Page 11      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Workforce Advantage  
KEY: Bloom's Knowledge

169. Leading-edge businesses maintain a competitive advantage by introducing products
- a) just as the market becomes ready to embrace them.
  - b) about 12-18 months before the market is really ready to embrace them.
  - c) long before anyone else has even thought of them, and at least two years before the majority of customers will express interest in them.
  - d) right before the demand for the product reaches its highest level.

ANS: A      DIF: Moderate      REF: Page 11      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Competitive Environment  
KEY: Bloom's Analysis

170. Business transactions that occur online are examples of
- a) I-commerce.
  - b) meta-economics.
  - c) e-commerce.
  - d) nano-commerce.

ANS: C      DIF: Easy      REF: Page 12      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Technological Environment  
KEY: Bloom's Comprehension

171. \_\_\_\_\_ refers to differences in gender, age, religion, and nationality that affect the workforce.
- a) Demographics
  - b) Diversity
  - c) Social environment
  - d) Competitive advantage

ANS: B      DIF: Easy      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Diversity      TOP: The Social Environment  
KEY: Bloom's Comprehension



172. \_\_\_\_\_ provides information to businesses about where people live and their traits, such as race, gender, age, income, and education.
- a) Psychology
  - b) Demography
  - c) Ethnography
  - d) Sociology

ANS: B      DIF: Moderate      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Social Environment  
KEY: Bloom's Analysis

173. Lisa is a marketing consultant who is trying to help a regional company design an advertising campaign that will appeal to the local population. Her report should take into account \_\_\_\_\_ factors such as the age, income, and ethnic composition of the area's population.
- a) psychographic
  - b) sociological warfare
  - c) natural resource management
  - d) demographics

ANS: D      DIF: Challenging      REF: Page 13      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Social Environment  
KEY: Bloom's Application

174. Jenna has worked as a secretary for a small tech manufacturer for 45 years and probably should have retired a decade ago, but she enjoys having something to do. In that time, she has weathered many interpersonal storms, from angry customers to new products to tight deadlines to a moody boss. Just today, she came to work and discovered that the company had been sold to a Chinese conglomerate and that she no longer has a job. As she considers her options, she hears through the grapevine that her boss has been orchestrating this buyout for six months, that he knew the Chinese firm would be terminating her because of her age, and that he will be walking away with a hefty reward for his negotiations. What best categorizes the situation, in regard to the five dimensions of the business environment?
- a) global environment because of American outsourcing
  - b) technological environment because of the competitive advantage of e-commerce, Web presence, and bleeding-edge business technology
  - c) competitive environment because of the buyout
  - d) social environment because of diversity and demographic considerations in the aging workforce, employer-employee loyalty considerations, and the area of ethics and social responsibility

ANS: D      DIF: Challenging      REF: Pages 13-15      OBJ: 1-5  
NAT: BUSPROG: Analytic      TOP: The Social Environment  
KEY: Bloom's Evaluation

175. In order to compete effectively, many companies have taken proactive steps to hire and nurture people from a broad range of backgrounds. This is an example of which business environment?
- a) technological
  - b) social
  - c) global
  - d) competitive

ANS: B      DIF: Easy      REF: Page 14      OBJ: 1-5  
 NAT: BUSPROG: Analytic      TOP: The Social Environment  
 KEY: Bloom's Comprehension

176. As life spans increase and birthrates decrease, the working population will decrease while the number of retirees will increase. One example of *new business* growth reflecting this market might be a(n):
- a) increase in the number of assisted living facilities.
  - b) increase in the number of school-age after school programs.
  - c) rise in the number of state laws requiring employers to offer prescription benefit plans for employees.
  - d) new federal healthcare premium program adjusted for age.

ANS: A      DIF: Challenging      REF: Page 14      OBJ: 1-5  
 NAT: BUSPROG: Reflective Thinking      TOP: The Social Environment  
 KEY: Bloom's Evaluation

177. Doing business today without harming the ability of future generations to meet their needs is referred to as
- a) going green.
  - b) ethical behavior.
  - c) social responsibility.
  - d) sustainability.

ANS: D      DIF: Easy      REF: Page 15      OBJ: 1-5  
 NAT: BUSPROG: Ethics      TOP: The Social Environment  
 KEY: Bloom's Comprehension

178. As aging baby boomers retire, companies will
- a) face few problems finding labor, because the next generation of workers is larger than the generation that is retiring.
  - b) need to compete for top talent, driving up the costs of recruitment and payroll.
  - c) rely mainly on unskilled labor in the future.
  - d) take advantage of the retirements by replacing them with workers earning lower wages and salaries, thus reducing labor costs.

ANS: B      DIF: Moderate      REF: Page 15      OBJ: 1-5  
 NAT: BUSPROG: Analytic      TOP: The Social Environment  
 KEY: Bloom's Analysis

179. Which of the following statements represents how consumers and workers react to socially responsible behavior by business?
- a) A large majority of both consumers and workers tend to respond favorably to socially responsible business behavior.
  - b) Workers tend to respond favorably to socially responsible behavior, but consumers tend to ignore the benefits of such behavior.
  - c) The purchasing decisions of most consumers are influenced by socially responsible behavior, but most workers are having no interest in whether their employer is socially responsible.
  - d) Most workers and consumers base decisions on monetary considerations and largely ignore issues dealing with socially responsible behavior.

ANS: A      DIF: Moderate      REF: Page 15      OBJ: 1-5  
NAT: BUSPROG: Ethics      TOP: The Social Environment  
KEY: Bloom's Evaluation

180. Fred has worked for Alliance TV and Radio for 10 years, but the 90-minute commute to and from work is really bothering him. He approached his supervisor and was pleased to find that she took his request seriously and came up with a plan that allowed him to work from his home two days a week. This attempt to accommodate Fred and other workers like him reflects the need of employers to recognize
- a) the specific needs of Generation I.
  - b) rising worker expectations.
  - c) the growing number of older workers in the labor force.
  - d) the global environment of business.

ANS: B      DIF: Challenging      REF: Page 15      OBJ: 1-5  
NAT: BUSPROG: Reflective Thinking      TOP: The Social Environment  
KEY: Bloom's Evaluation

181. In 1995, a renegotiation of the General Agreement on Tariffs and Trade (GATT) took bold steps to lower tariffs and to reduce trade restrictions. A tariff is a
- a) tax on exports.
  - b) license required to export a good.
  - c) tax on imports.
  - d) license required to import a good.

ANS: C      DIF: Easy      REF: Page 16      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Global Environment  
KEY: Bloom's Knowledge

182. As competition has become truly global, free trade has resulted in \_\_\_\_ prices and \_\_\_\_ quality across virtually every product category.
- a) lower; lower
  - b) higher; lower
  - c) lower; higher
  - d) higher; higher

ANS: C      DIF: Easy      REF: Page 16      OBJ: 1-5  
NAT: BUSPROG: Communication      TOP: The Global Environment  
KEY: Bloom's Knowledge

183. When making a career choice, experts often advise graduating students
- a) not to worry since in this economy many students will not be able to find jobs let alone a career.
  - b) to find a career you love and the money will follow.
  - c) to focus only on careers with the highest income potential.
  - d) not to worry about a career since most companies do not care about their employees.

ANS: B      DIF: Easy      REF: Page 16      OBJ: 1-6  
NAT: BUSPROG: Communication      TOP: Business and You: Making It Personal  
KEY: Bloom's Knowledge

184. In choosing your career, you must consider the key dimensions of the business environment and your place within it. That would mean you should
- a) focus only on high paying careers.
  - b) wait for the jobs to find you at school.
  - c) look for a mentor to help you make the transition to the work world.
  - d) consider your interests and abilities as well as those skills you learned in college.

ANS: D      DIF: Moderate      REF: Page 16      OBJ: 1-6  
 NAT: BUSPROG: Analytic      TOP: Business and You: Making It Personal  
 KEY: Bloom's Analysis

185. Megan's parents would like for her to become an accountant after she graduates from college. Megan would really like to open her own cupcake store. What would experts advise Megan to do that would boost her chance of personal success?
- a) become an accountant because it is a safe career choice
  - b) do what her parents suggest since they will be paying off her student loans
  - c) do what you love
  - d) become an accountant at a restaurant

ANS: C      DIF: Moderate      REF: Page 16      OBJ: 1-6  
 NAT: BUSPROG: Communication      TOP: Business and You: Making It Personal  
 KEY: Bloom's Application

## ESSAY

186. What is a business and how does it survive and maintain a profit?

ANS:

A business is an organization that provides goods and/or services in an effort to earn a profit. Profit is the money that a business earns in sales (or revenue), minus expenses such as the cost of goods and the cost of salaries. In order to survive and maintain a profit, a business must efficiently produce goods and services that satisfy the needs of customers. Thus, the firm must be aware of changes in consumer attitudes and preferences that represent new opportunities. It must also be aware of new and innovative ways to lower costs and/or improve quality.

DIF: Moderate      REF: Page 3      OBJ: 1-1  
 NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
 KEY: Bloom's Knowledge

187. Define entrepreneurship and include three (3) pros and three (3) cons that entrepreneurs face in today's business environment.

ANS:

**Definition:** People who risk their time, money, and other resources to start and manage a business.

The pros and cons will vary based on classroom discussions, activities, and the students. However 3 examples are listed as a reference.

**Pros:** Financial independence, reinvest in one's community, fulfill dream(s)

**Cons:** Responsible for successes and failures, involves high risks, requires finances

DIF: Moderate      REF: Pages 3-4      OBJ: 1-1  
 NAT: BUSPROG: Analytic      TOP: Business Basics: Some Key Definitions  
 KEY: Bloom's Analysis

188. People who risk their time, money, and other resources to start and manage a business are called **entrepreneurs**. How do entrepreneurs contribute to the community they serve?

ANS:

Interestingly, as entrepreneurs create wealth for themselves, they produce a ripple effect that enriches everyone around them. Business success for the entrepreneur benefits those around them in that entrepreneurs spend their own money buying goods for personal consumption.

From a bigger picture perspective, business drives up the **standard of living** for people worldwide, contributing to a higher **quality of life**.

Not only do businesses provide the products and services that people enjoy, but they also provide the jobs that people need. Beyond the obvious, business contributes to society through innovation—think cars, TVs, and personal computers. Business also helps raise the standard of living through taxes, which the government spends on projects that range from streetlights to environmental cleanup. And socially responsible firms contribute even more, actively advocating for the well-being of the society that feeds their success.

DIF: Challenging      REF: Pages 3-4      OBJ: 1-1  
 NAT: BUSPROG: Reflective Thinking      TOP: Business Basics: Some Key Definitions  
 KEY: Bloom's Evaluation

189. Describe the similarities and differences between “quality of life” and “standard of living.”

ANS:

Standard of living is the quality and quantity of goods and services available to a population, typically measured by gross national income per capita. Quality of life is the overall sense of well-being experienced by either an individual or a group. Since the goods and services a nation's citizens consume affect their well-being, the standard of living clearly affects the quality of life. But the quality of life also includes factors not directly measured by gross national income, such as political freedoms, the distribution (rather than simply the average amount) of income, environmental quality, and leisure time.

DIF: Moderate      REF: Page 4      OBJ: 1-1  
 NAT: BUSPROG: Communication      TOP: Business Basics: Some Key Definitions  
 KEY: Bloom's Analysis

190. Compare and contrast the relationship era and the entrepreneurship era. Provide examples to support your answer.

ANS:

### **Relationship Era**

Building on the marketing concept, leading-edge firms now look beyond each immediate transaction with a customer and aim to build long-term relationships. Satisfied customers can become advocates for a business, spreading the word with more speed and credibility than even the best promotional campaign. And cultivating current customers is more profitable than constantly seeking new ones. One key tool is technology. Using the Web and other digital resources, businesses gather detailed information about their customers and use these data to serve them better. For example, on the Scion website customers can build their own car from home. Online banking and bill-paying are other options brought about by developing technology.

### **Entrepreneurship Era**

Building on the foundation of the Industrial Revolution, large-scale entrepreneurs emerged in the second half of the 1800s, building business empires. Key players included Andrew Carnegie, who launched U.S. Steel; J.P. Morgan, who founded Morgan Guarantee and Trust; and John D. Rockefeller, who created Standard Oil. These industrial titans and their peers created enormous wealth, raising the overall standard of living across the country. But many also dominated their markets, forcing out competitors, manipulating prices, exploiting workers, and decimating the environment. Toward the end of the 1800s, the government stepped into the business realm, passing legislation to regulate business and protect consumers and workers, creating more balance in the economy.

DIF: Challenging REF: Pages 5-6 OBJ: 1-2 NAT: BUSPROG: Analytic  
TOP: The History of Business: Putting It All in Context  
KEY: Bloom's Evaluation

191. Compare and contrast for-profit organizations and nonprofit organizations.

ANS:

All businesses are regulated by the government and must comply with established standards. Like their profit-driven counterparts, nonprofit organizations also offer products and services, collect revenues, and employ workers. Profit organizations are profit driven and have the opportunity to offer their consumer products and services for a fee. A nonprofit organization's primary goal is to improve the quality of life in our society and contribute to the community. They also partner with their communities by providing products or services to those who are in financial need. Nonprofits are not in the business of financial gain. They're in the business of doing good. Nonprofits, like for-profit organizations, also contribute significantly to the region's economic stability and growth.

DIF: Challenging REF: Page 7 OBJ: 1-3 NAT: BUSPROG: Analytic  
TOP: Nonprofits and the Economy: The Business of Doing Good  
KEY: Bloom's Analysis

192. List and describe the four factors of production required for an economic system to thrive and create wealth. Give an example of each in your answer.

ANS:

**Natural Resources** include inputs that offer value in their natural state and include land, fresh water, wind, and mineral deposits. Most natural resources must be extracted, purified, or harnessed. Some examples students might use: timber, crude oil, streams, rivers, oceans, and minerals.

**Capital** includes machines, tools, buildings, information, and technology—synthetic resources a business needs to produce goods or services. Some examples students might use: computers, satellites, offices, tractors, earth movers.

**Human Resources** use the physical, intellectual, and creative inputs of those working within an economy. Some examples students might use: college graduates for service companies, teachers, student employees, truck drivers, farmers, law enforcement officers.

**Entrepreneurship** supports the people who assume the risk to own and operate a business. Entrepreneurs are motivated primarily by profit and use their own resources to capitalize on potential not recognized by others. Entrepreneurs must be given the economic freedom to produce. Economic freedom includes freedom of choice, freedom from excess regulation, and freedom from too much taxation. Some examples students might use: Michael Dell, Bill Gates, Jeff Bezos, Sam Walton.

DIF: Challenging REF: Pages 7-8 OBJ: 1-4

NAT: BUSPROG: Analytic

TOP: Factors of Production: The Basic Building Blocks

KEY: Bloom's Synthesis

193. There are four factors of production required for an economic system to thrive and create wealth. Entrepreneurship is one of them. Explain and give examples of how an entrepreneur would employ the other factors of production in an effort to grow and maintain a business.

ANS:

Entrepreneurs are people who are willing to take the risk of owning and operating a business and are largely motivated by the profit incentive. Entrepreneurs work to build economic value by creating opportunities and harnessing the other factors of production.

Entrepreneurs may require natural resources such as land in order to locate the business in the community.

In the use of capital, the entrepreneur might use computers and other technologies to manage the internal operation, and/or grow his or her business online. Other tools and equipment might be used with land to build office space needed to run the business. Students should NOT mention the use of money, as money is used to acquire capital resources.

Human resources encompass the physical, intellectual, and creative contributions of everyone working within an economy. In hiring employees, entrepreneurs employ people to meet customer demands. Employees would be hired at all levels of the organization, and those creative talents and intellectual levels would help the business grow.

DIF: Challenging REF: Pages 7-8 OBJ: 1-4  
 NAT: BUSPROG: Reflective Thinking  
 TOP: Factors of Production: The Basic Building Blocks  
 KEY: Bloom's Synthesis

194. List and describe the five key dimensions of the broader business environment.

ANS:

**Economic environment:** The U.S. economy is a global powerhouse, largely because the government actively supports free enterprise and fair competition.

**Competitive environment:** As global competition intensifies, leading-edge companies have focused on long-term customer satisfaction as never before.

**Technological environment:** The recent technology boom has transformed business, establishing new industries and burying others.

**Social environment:** The U.S. population continues to diversify. Consumers are gaining power, and society has higher standards for business behavior.

**Global environment:** The U.S. economy works within the context of the global environment. A key factor: rapid economic growth in China and India.

DIF: Challenging REF: Pages 8-16 OBJ: 1-5  
 NAT: BUSPROG: Communication  
 TOP: The Business Environment: The Context for Success  
 KEY: Bloom's Synthesis

195. A skilled and knowledgeable employee base, or workforce, is essential to keep pace in today's business world. Describe how you will work within the broad business environment to find your ideal career position. Cite examples of how each of the five key dimensions of the environment will influence your job search.

ANS:

Students' answers will vary greatly. Five key dimensions:

**Economic environment** offers free enterprise and fair competition, affording some students the ability to start businesses. Fair competition would also afford students multiple job opportunities with the completion of a college degree.

**Competitive environment** creates the long-term relationship with customers, suppliers, and vendors. This allows students to see multiple opportunities due to consumer choice options. The more customers want and businesses provide, the more businesses offer jobs to those willing to work.

**Technological environment** permits students to work with what they know. With the use of business technology, students can learn the value of hard work in achieving efficiency and effectiveness. "Work with something you are passionate about." The Internet has created more networking online and built businesses along the way.



**Social environment** takes into account the values, attitudes, customs, and beliefs shared by groups of people. Students come to the job market each with his or her own values and attitudes about work. Students should also mention issues of workforce advantage, aging population, rising worker expectation, and ethics and social responsibility.

**Global environment** offers students the international job market in which to compete, understanding, though, that values and attitudes are different among countries. To reduce trade restrictions worldwide, there has been a re-negotiation of the General Agreement on Tariffs and Trade (GATT). Mexico, Canada, and the United States have laid the groundwork for a free-trade mega-market through the North American Free Trade Agreement (NAFTA), and 25 European countries have created a powerful free-trading bloc through the European Union. The free-trade movement has lowered prices and increased quality across virtually every product category, as competition becomes truly global.

DIF: Challenging REF: Pages 8-16 OBJ: 1-5  
 NAT: BUSPROG: Reflective Thinking  
 TOP: The Business Environment: The Context for Success  
 KEY: Bloom's Synthesis

196. Describe the sources of competitive advantage for companies today.

ANS:

One source of competitive advantage is customer satisfaction. Customer satisfaction has proven to result in higher profits. Customer satisfaction comes largely from delivering unsurpassed value. Value is the gap between product benefits and prices. Customers who are satisfied with their product or services are more likely to encourage their friends and family to do business with a company.

Another source of competitive advantage is speed-to-market. Speed-to-market is the rate at which a firm transforms concepts into actual products. Leading-edge firms understand the importance of speed-to-market and offer products just as the market becomes ready to embrace them. If a company introduces a product too soon, it can result in failure.

Workforce advantage is another source in a company's competitive edge. Research has shown that investing in worker satisfaction results in increased bottom-line results. The S&P 500 showed that firms with the highest employee satisfaction had an increased rate of annual return, even during 2009—the heart of the Great Recession.

The final source of competitive advantage is innovation. Innovation and creativity have shown over the years to increase a company's profit. Innovation contributes to a company's speed-to-market rate and their ability to be a leading-edge firm instead of a bleeding-edge firm. (Students might supply an example like Apple to support this idea.)

DIF: Challenging REF: Pages 10-11 OBJ: 1-5  
 NAT: BUSPROG: Analytic  
 TOP: The Competitive Environment|The Workforce Advantage  
 KEY: Bloom's Evaluation

197. Explain how e-commerce has allowed businesses to tap into the worldwide community of potential customers.

ANS:

E-commerce allows businesses to expand beyond selling just to consumers and allowed them to participate in business-to-business selling. Business-to-business selling makes up the vast majority of total e-commerce sales. It allows businesses to connect their digital networks with suppliers and distributors to create a more seamless flow of goods and services.

E-commerce provides the opportunity for more individualized buying experiences by customizing the information available to the customer. E-commerce allows leading-edge firms to offer customized products at reasonable prices. (Students may provide an example such as building their own car online.)

DIF: Challenging REF: Pages 11-13 OBJ: 1-5

NAT: BUSPROG: Technology

TOP: The Technological Environment

KEY: Bloom's Evaluation

198. Challenges in managing human resources have evolved due to changing demographics affecting the workforce. Describe how demographic changes such as diversity, the aging population, worker expectations, ethics, and social responsibility affect the management of human resources.

ANS:

The U.S. has become more ethnically diverse in recent years, and growing ethnic populations offer robust profit potential for firms that pursue them. Growing diversity also impacts the workforce. A diverse staff—one that reflects an increasingly diverse marketplace—can yield a powerful competitive advantage in terms of both innovation and ability to reach a broad customer base.

Effectively managing diversity should only become easier as time goes by. Multiple studies demonstrate that young American adults are the most tolerant age group, and they are moving in a more tolerant direction than earlier generations regarding racial differences, immigrants, and homosexuality. As this generation gathers influence and experience in the workforce, they are likely to leverage diversity in their organizations to hone their edge in a fiercely competitive marketplace.

The rapidly aging population brings opportunities and threats for business. Companies in fields that cater to the elderly—such as healthcare, pharmaceuticals, travel, recreation, and financial management—will clearly boom. But creative companies in other fields will capitalize on the trend as well by reimagining their current products to serve older clients.

As young people today enter the workforce, they bring higher expectations for their employers in terms of salary, job responsibility, and flexibility—and less willingness to pay dues by working extra long hours or doing a high volume of “grunt work.” Smart firms are responding to the change in worker expectations by forging a new partnership with their employees. The goal is a greater level of mutual respect through open communication, information sharing, and training.

Due to ethical lapses in some behemoth organizations, a growing number of consumers and workers have begun to insist that companies play a proactive role in making their communities—and often the world community—better places. Some corporations even post their ethical codes of conduct and offer social audits to meet this new consumer expectation.

DIF: Challenging REF: Pages 13-16 OBJ: 1-5  
NAT: BUSPROG: Diversity  
TOP: The Social Environment  
KEY: Bloom's Synthesis

199. Explain how the General Agreement on Tariffs and Trade (GATT) encourages global trade.

ANS:

The migration of jobs relates closely to the global movement toward free trade. In 1995, a renegotiation of the General Agreement on Tariffs and Trade (GATT)—signed by 125 countries—took bold steps to lower tariffs (taxes on imports) and to reduce trade restrictions worldwide. The result: goods move more freely than ever across international boundaries. Individual groups of countries have gone even further, creating blocs of nations with virtually unrestricted trade. The free-trade movement has lowered prices and increased quality across virtually every product category as competition becomes truly global. Other examples: NAFTA and the European Union

DIF: Challenging REF: Pages 15-16 OBJ: 1-5  
NAT: BUSPROG: Analytic  
TOP: The Global Environment  
KEY: Bloom's Evaluation

200. With technological developments changing businesses byte by byte, many traditional career choices have become dead ends. What skills and attributes do you have that could provide you with both personal and financial opportunities?

ANS:

Students' answers will vary greatly. Answers should include, however, abilities that cannot be digitized: ability to be a good communicator, a good listener, a team player, creative, and empathetic.

DIF: Challenging REF: Page 16 OBJ: 1-6 NAT: BUSPROG: Technology  
TOP: Business and You: Making It Personal KEY: Bloom's Analysis