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| **True / False** |

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| 1. ​Value is the relationship between the price of a good or a service and the benefits that it offers to the customer.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 2. ​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.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 3. ​In the U.S., nonprofits employ about one in hundred workers, accounting for less paid workers than the entire construction industry and less than the finance, insurance, and real-estate sectors combined.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 4. ​People can create natural resources by growing and harvesting agricultural products.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 5. ​Capital, as a factor of production, includes machines, tools, buildings, information, and technology.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 6. ​Susan is the human resources director at ABC Cosmetics. In her job, she is responsible for recruiting, hiring, and training employees. She is a factor of production for the company.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 7. ​The significance of the economic dimension of a business environment is highlighted when a number of states—from Alabama to Nevada—make their local economies even more appealing by providing special tax deals to attract new firms.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 8. ​Speed-to-market is the rate at which a company's competitors copy its new product innovations.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 9. ​Online technology prevents leading-edge companies from offering customized products at prices that are comparable to standardized products.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 10. ​The broader economy and one's own business skills will influence the level of one's personal financial success.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 11. ​In the context of making business personal, following one's passion doesn't guarantee a fat paycheck, but it does boost one's chances of both financial and personal success.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| **Multiple Choice** |

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| 12. ​The core goal of successful firms is to:   |  |  |  | | --- | --- | --- | |  | a. | ​create a diverse workforce in an organization. | |  | b. | ​generate long-term profits by delivering unsurpassed value to their customers. | |  | c. | ​meet the rising expectations of workers. | |  | d. | ​ensure free trade of goods and services within local and international markets. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 13. ​Which of the following is considered a business?   |  |  |  | | --- | --- | --- | |  | a. | ​A firm funded by the state that specializes in providing free consultations for at-risk teens | |  | b. | ​A private charity that donates clothes and notebooks to orphaned kids | |  | c. | ​An online shopping portal that offers discounted prices on clothes | |  | d. | ​A federal agency that establishes and enforces environmental regulations |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 14. ​Which of the following is a true statement about profit in a business?   |  |  |  | | --- | --- | --- | |  | a. | ​It is calculated by subtracting the cost of goods from the sales revenues of a business. | |  | b. | ​It is the financial reward that comes for starting and running a business. | |  | c. | ​It is the goodwill that an organization gains while running a business. | |  | d. | ​It is earned by every business all the time. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 15. ​Which of the following statements is a characteristic of entrepreneurs?   |  |  |  | | --- | --- | --- | |  | a. | ​They are hardly interested in creating wealth for themselves. | |  | b. | ​They create value for themselves at the expense of others. | |  | c. | ​They have little or no impact on other people in the society. | |  | d. | ​They produce a ripple effect that enriches everyone around them. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 16. ​In the context of the history of American business, which of the following is a true statement about the industrial revolution?   |  |  |  | | --- | --- | --- | |  | a. | ​Firms aimed at building long-term relationships with customers during the industrial revolution. | |  | b. | ​During the industrial revolution, there was a loss of personal pride in the production process. | |  | c. | ​The production efficiency was the lowest during the industrial revolution. | |  | d. | ​During the industrial revolution, there was a creation of individual ownership in the production process. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 17. ​Huge factories replaced skilled artisan workshops during the \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | ​industrial revolution | |  | b. | ​entrepreneurship era | |  | c. | ​production era | |  | d. | ​marketing revolution |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 18. ​Which of the following occurred during the entrepreneurship era?   |  |  |  | | --- | --- | --- | |  | a. | ​The balance of power shifted away from producers and toward consumers. | |  | b. | ​Web and digital resources were used to gather detailed information about customers. | |  | c. | ​Industrial titans created enormous wealth and dominated their markets. | |  | d. | ​The standard of living declined at a high rate. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 19. ​Identify a true statement about the entrepreneurship era.   |  |  |  | | --- | --- | --- | |  | a. | ​Industrial titans exploited workers and decimated the environment during the entrepreneurship era. | |  | b. | ​Large-scale entrepreneurs failed to dominate their markets during the entrepreneurship era. | |  | c. | ​During the entrepreneurship era, the overall standard of living across the country declined. | |  | d. | ​During the entrepreneurship era, the balance of power shifted from producers and toward consumers. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 20. ​During the \_\_\_\_\_, jobs became even more specialized, increasing productivity and lowering costs and prices.   |  |  |  | | --- | --- | --- | |  | a. | ​entrepreneurship era | |  | b. | ​production era | |  | c. | ​marketing era | |  | d. | ​relationship era |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 21. ​Identify a true statement about the production era.   |  |  |  | | --- | --- | --- | |  | a. | ​Major businesses focused on shifting the balance of power from producers and toward consumers. | |  | b. | ​The method of "hard sell" was eliminated. | |  | c. | ​The assembly line became standard across major manufacturing industries. | |  | d. | ​Leading-edge firms looked beyond each immediate transaction with a customer and aimed to build a long-term relationships. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 22. ​Which of the following statements is true of the marketing era?   |  |  |  | | --- | --- | --- | |  | a. | ​In the marketing era, skilled artisan workshops were replaced by huge factories. | |  | b. | ​In the marketing era, major businesses focused on refining the production process and creating greater efficiencies. | |  | c. | ​In the marketing era, large-scale entrepreneurs dominated the market and raised the standard of living across the country. | |  | d. | ​In the marketing era, the balance of power shifted away from producers and toward consumers. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 23. ​During the\_\_\_\_\_, businesses began to develop brands to help customers understand the differences among various products.   |  |  |  | | --- | --- | --- | |  | a. | ​industrial revolution | |  | b. | ​entrepreneurship era | |  | c. | ​marketing era | |  | d. | ​relationship era |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 24. ​Fred operates two resorts in the Miami area. His company works hard to develop long-term relationships by calling customers to make sure that they are satisfied with their recent visits to the resorts and with offers to host free. In this case, Fred is most likely using concepts that were popularized during the:   |  |  |  | | --- | --- | --- | |  | a. | ​entrepreneurship era. | |  | b. | ​production era. | |  | c. | ​relationship era. | |  | d. | ​technology era. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 25. ​A small-scale consulting firm in Hawaii is struggling financially because it is unable to generate enough capital to run the business. The company then decides to get creative and uses web technology and digital resources to build long-term bonds with its current customers and also to reach new customers. This company is using concepts that primarily originated in the:   |  |  |  | | --- | --- | --- | |  | a. | ​entrepreneurship era. | |  | b. | ​relationship era. | |  | c. | ​production era. | |  | d. | ​industrial era. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 26. ​Identify a true statement about nonprofit organizations.   |  |  |  | | --- | --- | --- | |  | a. | ​They are usually in the business of financial gain. | |  | b. | ​They employ people and take in revenue. | |  | c. | ​They do not produce goods and services. | |  | d. | ​They are not business-like establishments. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 27. ​Which of the following is most likely an example of a nonprofit organization?   |  |  |  | | --- | --- | --- | |  | a. | ​A regional retail store that sells goods at discount prices | |  | b. | ​A community museum that is funded by a society and is free for public use | |  | c. | ​A local newspaper house that sells newspapers at lower prices than its competitors | |  | d. | ​A fashion publication house that issues free subscriptions of its weekly magazines to consumers who are yearly subscribers |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 28. ​In the context of factors of production, which of the following is an example of a natural resource?   |  |  |  | | --- | --- | --- | |  | a. | ​An equipment | |  | b. | ​Land | |  | c. | ​An investment | |  | d. | ​Information |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 29. ​A college has contracted a construction company to build a new bookstore for its college. The heavy machinery and equipment used by the contractor in the construction process is an example of a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | ​entrepreneurial resource | |  | b. | ​human resource | |  | c. | ​natural resource | |  | d. | ​capital resource |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 30. ​Children's Campground is a summer program for school children. It advertises that there is one counselor for every four children and that several other highly-trained professionals are on its staff. Its advertisements indicate that Children's Campground relies heavily on its \_\_\_\_\_ to provide its services.   |  |  |  | | --- | --- | --- | |  | a. | ​natural resources | |  | b. | ​human resources | |  | c. | ​entrepreneurship | |  | d. | ​capital |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 31. ​Identify a true statement about entrepreneurs.   |  |  |  | | --- | --- | --- | |  | a. | ​They are people who write and establish government policies. | |  | b. | ​They avoid taking the risk of launching and operating their own businesses. | |  | c. | ​They thrive in an environment that supports economic freedom. | |  | d. | ​They are rarely motivated by any profit incentive to run a business. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 32. ​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 the level of personal freedom. | |  | c. | ​an increase in global trade. | |  | d. | ​a social crisis. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 33. ​Samuel is struggling to run his start-up company in his locality. He is struggling because the local trade associations have established strict codes of conduct regarding certification, accreditation, and insurance obligation for businesses. In the context of economic freedom of a business environment, which of the following is adversely affecting Samuel's start-up?   |  |  |  | | --- | --- | --- | |  | a. | ​Lack of freedom of production | |  | b. | ​Lack of freedom of staffing | |  | c. | ​Excessive regulation | |  | d. | ​Excessive taxation |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 34. ​Which of the following dimensions of a business environment is specifically highlighted when stock markets lose a major portion of their value and when huge, venerable institutions collapse financially?   |  |  |  | | --- | --- | --- | |  | a. | ​Social | |  | b. | ​Technological | |  | c. | ​Cultural | |  | d. | ​Economic |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 35. ​Legislation that supports enforceable contracts usually forms part of an organization's \_\_\_\_\_ environment.   |  |  |  | | --- | --- | --- | |  | a. | ​competitive | |  | b. | ​cultural | |  | c. | ​economic | |  | d. | ​social |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 36. ​Before sales of its IPad 1 reached their peak, Apple launched the IPad 2, which took sales from the IPad 1 but also overtook the sales of its competitors' products. This strategy 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. | ​budgeting | |  | c. | ​event chain methodology | |  | d. | ​elemental cost planning |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 37. ​Identify a true statement about e-commerce.   |  |  |  | | --- | --- | --- | |  | a. | ​Business-to-consumer selling companies have the larger share of profits arising from the total e-commerce sales. | |  | b. | ​E-commerce has completely eliminated the individualized buying experience. | |  | c. | ​Business-to-business selling companies comprise the vast majority of total e-commerce sales. | |  | d. | ​E-commerce excludes the sales of goods and services through websites or online portals. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 38. ​Computers, digital tools, and telecommunications are most likely to be part of the \_\_\_\_\_ dimension of a business environment.   |  |  |  | | --- | --- | --- | |  | a. | ​economic | |  | b. | ​social | |  | c. | ​cultural | |  | d. | ​technological |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 39. ​Which of the following dimensions of a business environment embodies the values, attitudes, customs, and beliefs shared by groups of people?   |  |  |  | | --- | --- | --- | |  | a. | ​Economic | |  | b. | ​Technological | |  | c. | ​Competitive | |  | d. | ​Social |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 40. ​Which of the following is most likely to be part of the social dimension of a business environment?   |  |  |  | | --- | --- | --- | |  | a. | ​Population income | |  | b. | ​Bank lending rates | |  | c. | ​Telecommunication | |  | d. | ​Federal tax laws |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 41. ​As competition has become truly global, free trade has resulted in \_\_\_\_\_ across virtually every product category.   |  |  |  | | --- | --- | --- | |  | a. | ​lower prices and lower quality | |  | b. | ​higher prices and lower quality | |  | c. | ​lower prices and higher quality | |  | d. | ​higher prices and higher quality |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| **Completion** |

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| 42. When a business brings in less money than it needs to cover expenses, it incurs a \_\_\_\_\_\_\_\_\_.  A. deferral  B. loss  C. depreciation  D. tax cut   |  |  | | --- | --- | | *ANSWER:* | ​loss | |

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| 43.  \_\_\_\_\_\_\_\_\_ is the quality and quantity of goods and services available to a population.  A. Standard of living  B. Quality of working life  C. Social mobility  D. Speed-to-market   |  |  | | --- | --- | | *ANSWER:* | ​Standard of living | |

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| 44. \_\_\_\_\_\_\_\_\_ are business-like establishments that employ people and produce goods and services with the fundamental goal of contributing to the community rather than generating financial gain.  A. Stock companies  B. Nonprofits  C. Credit unions  D. Parastatals   |  |  | | --- | --- | | *ANSWER:* | Nonprofits | |

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| 45. ​In the context of factors of production, the \_\_\_\_\_\_\_\_\_ factor encompasses the physical, intellectual, and creative contributions of everyone who works within an economy.  A. economic  B. natural resources  C. capital  D. human resources   |  |  | | --- | --- | | *ANSWER:* | ​human resources | |

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| 46. \_\_\_\_\_\_\_\_\_ is the rate at which a new product moves from conception to commercialization.  A. Speed-to-market  B. Picketing  C. Hard sell  D. Leveraging   |  |  | | --- | --- | | *ANSWER:* | ​Speed-to-market | |

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| **Subjective Short Answer** |

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| 47. What is a business and how does it survive and maintain a profit?   |  |  | | --- | --- | | *ANSWER:* | ​A business is any organization or activity that provides goods and services in an effort to earn a profit. Profit is the financial reward that comes from starting and running a business. More specifically, 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. But clearly, not every business earns a profit all the time. When a business brings in less money than it needs to cover expenses, it incurs a loss. If you launch a music label, for instance, you'll need to pay your artists, lease a studio, and purchase equipment, among other expenses. If your label generates hits, you’ll earn more than enough to cover all your expenses and make yourself rich. But a series of duds could leave you holding the bag. Just the possibility of earning a profit provides a powerful incentive for people of all backgrounds to launch their own enterprises. | |

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| 48. ​Describe the emergence of the "hard sell" in the production era and the marketing concept in the marketing era.   |  |  | | --- | --- | | *ANSWER:* | ​In the early part of the 1900s, major businesses focused on further refining the production process and creating greater efficiencies. Jobs became even more specialized, increasing productivity and lowering costs and prices. In 1913, Henry Ford introduced the assembly line, which quickly became standard across major manufacturing industries. With managers focused on efficiency, the customer was an afterthought. But when customers tightened their belts during the Great Depression and World War II, businesses took notice. The "hard sell" emerged: aggressive persuasion designed to separate consumers from their cash. After WWII, the balance of power shifted away from producers and toward consumers, flooding the market with enticing choices. To differentiate themselves from their competitors, businesses began to develop brands, or distinctive identities, to help consumers understand the differences among various products. The marketing concept emerged: a consumer focus that permeates successful companies in every department, at every level. This approach continues to influence business decisions today as global competition heats up to unprecedented levels. | |

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| 49. ​How do nonprofit organizations play a critical role in an economy?   |  |  | | --- | --- | | *ANSWER:* | ​Nonprofit organizations play a critical role in the economy, often working hand-in-hand with businesses to improve the quality of life in our society. Focusing on areas such as health, human services, education, art, religion, and culture, nonprofits are business-like establishments, but their primary goals do not include profits. Chuck Bean, Executive Director of the Nonprofit Roundtable, explains: "By definition, nonprofits are not in the business of financial gain. We're in the business of doing good. However, nonprofits are still businesses in every other sense—they employ people, they take in revenue, they produce goods and services and contribute in significant ways to our region's economic stability and growth." Nationwide, nonprofits employ about one in ten workers, accounting for more paid workers than the entire construction industry and more than the finance, insurance, and real-estate sectors combined. And nonprofit museums, schools, theaters, and orchestras have become economic magnets for many communities, drawing additional investment. | |

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| 50. ​Describe the four factors of production required for an economic system to thrive and create wealth.   |  |  | | --- | --- | | *ANSWER:* | ​The four factors of production are natural resources, capital, human resources, and entrepreneurship. Natural Resources include inputs that offer value in their natural state such as land, fresh water, wind, and mineral deposits. Most natural resources must be extracted, purified, or harnessed. Capital includes machines, tools, buildings, information, and technology—synthetic resources a business needs to produce goods or services. Human Resources use the physical, intellectual, and creative inputs of those working within an economy. 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. | |

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| 51. ​Describe the technological dimension of a business environment.   |  |  | | --- | --- | | *ANSWER:* | ​The broad definition of business technology includes any tools that businesses can use to become more efficient and effective. But more specifically, in today's world, business technology usually refers to computers, telecommunications, and other digital tools. Over the past few decades, the impact of digital technology on business has been utterly transformative. New industries have emerged, while others have disappeared. The creation of the World Wide Web has transformed not only business, but also people's lives. Anyone, anywhere, anytime can use the Web to send and receive images and data (as long as access is available). One result is the rise of e-commerce or online sales, which allow businesses to tap into a worldwide community of potential customers. | |