

Business in Action, 8e, Global Edition (Bovee)
Chapter 1 Developing a Business Mindset

1) _____ is money that an organization brings in through the sale of its goods and services.

- A) Competitive advantage
- B) Revenue
- C) Sales
- D) Capital investment
- E) Finance

Answer: B

Explanation: Revenue is the money a company brings in through the sale of goods and services.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

2) The risk and reward relationship _____.

- A) is a key aspect of social responsibility
- B) applies only to service-intensive businesses
- C) is essential to the counter-cyclical business model
- D) is fundamental to businesses in every modern economy
- E) is an outdated concept that's been replaced by corporate sustainability

Answer: D

Explanation: A company needs to see some promise of reward before it will decide to accept the risks involved in creating and selling products. However, to ensure responsible behavior, these risks need to stay attached to those decisions, meaning that if the decisions turn out bad, that company should suffer the consequences.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

3) A(n) _____ is a framework of how a business intends to generate revenue.

- A) business model
- B) strategic management tool
- C) profitability analysis
- D) competitive advantage
- E) entrepreneurial mindset

Answer: A

Explanation: A company's business model is a clear, simple outline of how the business intends to generate revenue.

Difficulty: 1: Easy

AACSB: Analytical thinking

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

4) _____ is the term used to describe the difference between revenue and expenses.

- A) Revenue
- B) Interest
- C) Sales
- D) Owner's equity
- E) Profit

Answer: E

Explanation: Profit is the amount of money left over after all the costs involved in doing business, have been deducted from revenue.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

5) _____ refers to some aspect of a product or company that makes it more appealing to target customers.

- A) Competitive advantage
- B) Economies of scale
- C) Horizontal integration
- D) Vertical integration
- E) Barrier to entry advantage

Answer: A

Explanation: Competitive advantage refers to some aspect of a product or company that makes it more appealing to target customers.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

6) An organization that seeks to operate efficiently and effectively to achieve its goals without focusing on profit as a motive is a _____.

- A) business intermediary
- B) nonprofit organization
- C) service business
- D) government-owned corporation
- E) goods-producing business

Answer: B

Explanation: Not-for-profit organizations (also known as nonprofit organizations) such as museums, most universities, and charities do not have a profit motive.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

7) If individuals and companies believe they can pursue rewards without facing the risks that should be attached to those pursuits, they are more likely to engage in irresponsible and even unethical behavior. This situation is known as a(n) _____.

- A) ethical dilemma
- B) professional dilemma
- C) barrier to entry
- D) competitive advantage
- E) moral hazard

Answer: E

Explanation: If individuals and companies believe they can pursue rewards without facing the risks that should be attached to those pursuits, they are more likely to engage in irresponsible and even unethical behavior—a situation known as moral hazard.

Difficulty: 2: Moderate

AACSB: Ethical understanding and reasoning

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

8) A _____ creates value by performing activities that provide benefit to the customer.

- A) goods-producing business
- B) manufacturing business
- C) service business
- D) merchandising business
- E) not-for-profit organization

Answer: C

Explanation: Service businesses create value by performing activities that deliver some benefit to the customer, such as finance, insurance, transportation, construction, utilities, wholesale and retail trade, banking, entertainment, health care, maintenance and repair, and information.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

9) Businesses that need very large amounts of money, equipment, or other material resources in order to get started are _____ businesses.

- A) service sector
- B) labor-intensive
- C) competitively-advantaged
- D) not-for-profit
- E) capital-intensive

Answer: E

Explanation: Because they require large amounts of money, equipment, land, and other resources to get started and to operate, goods-producing businesses are often capital-intensive businesses.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

10) What type of business tends to be labor intensive, relying more on human resources than material resources?

- A) goods producing
- B) service
- C) not-for-profit
- D) competitively disadvantaged
- E) manufacturing

Answer: B

Explanation: Service businesses tend to be labor-intensive businesses, in that they rely more on human resources than buildings, machinery, and equipment to prosper.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

11) _____ refers to a resource or capability a company must have before it can start competing in a given market.

- A) Assets
- B) Economies of scale
- C) Barriers to entry
- D) Technological requirements
- E) Fixed costs

Answer: C

Explanation: Barrier to entry is a resource or capability a company must have before it can start competing in a given market.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

12) Business is any profit-seeking organization that provides goods and services designed to satisfy customers' needs.

Answer: TRUE

Explanation: In a general sense business can be defined as any profit-seeking organization that provides goods and services designed to satisfy customers' needs.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

13) Profit refers to the money the company brings in through the sale of goods and services.

Answer: FALSE

Explanation: Profit is the amount of money left over after expenses—all the costs involved in doing business—have been deducted from revenue.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

14) Businesses add value by transforming lower-value inputs (like paper and ink) into higher-value outputs (like textbooks).

Answer: TRUE

Explanation: Businesses add value by transforming lower-value inputs to higher-value outputs. In other words, they make goods and services more attractive from the buyer's perspective.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

15) In a free-market economy, companies generally have limited autonomy in deciding which customers they want to focus on and how they want to compete.

Answer: FALSE

Explanation: In a free-market economy, companies generally have considerable freedom in deciding which customers they want to focus on and how they want to compete.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

16) A company has competitive advantage when its products are more appealing to its chosen customers.

Answer: TRUE

Explanation: Competitive advantage makes a company's products or the company as a whole more appealing to its chosen customers.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

17) Assets refer to the tangible economic resources owned by a firm.

Answer: FALSE

Explanation: Assets refer to anything of meaningful value, from patents and brand names to real estate and company stock.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

18) In the USA, the service sector now accounts for less than half of the nation's economic output, but most of all jobs in the country.

Answer: FALSE

Explanation: The service sector now accounts for roughly 70 percent of the nation's economic output and 80 percent of all jobs in the country.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

19) A firm uses competitive advantage to reduce its costs. This is an example of barrier to entry.

Answer: FALSE

Explanation: Barrier to entry refers to any resource or capability a company must have before it can start competing in a given market.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

20) Difficulty in obtaining business permits or licenses to perform a particular type of business would be an example of a barrier to entry for a firm.

Answer: TRUE

Explanation: Barrier to entry refers to any resource or capability a company must have before it can start competing in a given market.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

21) Intangible products have a physical presence.

Answer: FALSE

Explanation: Intangible products create value by performing activities that deliver some benefit to the customer. They do not have physical presence.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

22) The service sector now dominates the U.S. economy.

Answer: TRUE

Explanation: Over the past few decades, the U.S. economy has undergone a profound transformation from being dominated by manufacturing to being dominated by services.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

23) Why are not-for-profit organizations different from most businesses? Are there any similarities between a goods-producing business and a not-for-profit organization?

Answer: The driving forces behind most businesses are the prospects of earning profits and building assets, which are anything of meaningful value, from patents and brand names to real estate and company stock. In contrast, not-for-profit organizations (also known as nonprofit organizations) such as museums, most universities, and charities do not have a profit motive. However, similar to goods-producing businesses, they must operate efficiently and effectively to achieve their goals. A nonprofit organization might use many of the business-management principles used by other businesses such as a goods-producing business.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

24) Compare and contrast between goods-producing businesses and service businesses.

Answer: Goods-producing businesses create value by making "things," from Pop-Tarts to school furniture to spacecraft. Most goods are tangible, meaning they have a physical presence, although software, music downloads, and other digital products are intangible. On the other hand, service businesses create value by performing activities that deliver some benefit to the customer, such as finance, insurance, transportation, construction, utilities, wholesale and retail trade, banking, entertainment, health care, maintenance and repair, and information. Twitter, Jiffy Lube, HBO, and Verizon Wireless are examples of service businesses.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

25) Explain barrier to entry with an example.

Answer: Barrier to entry refers to a resource or capability a company must have before it can start competing in a given market. Barriers to entry include government testing and approval, tightly controlled markets, strict licensing procedures, limited supplies of raw materials, and the need for highly skilled employees.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

26) Compare and contrast between capital-intensive businesses and labor-intensive businesses.

Answer: Capital-intensive businesses require large amounts of money, equipment, land, and other resources to get started and to operate. Goods-producing businesses are often capital-intensive businesses. Service businesses tend to be labor-intensive businesses in that they rely more on human resources than buildings, machinery, and equipment to prosper. However, the Internet and other technologies have reduced the labor required to operate many types of service businesses.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.1: Explain the concept of adding value in a business, and identify the major types of businesses.

27) _____ refers to a view of business that considers the many decisions that must be made and the potential problems that must be overcome before the organization can deliver its products or services.

- A) Business mindset
- B) Service orientation
- C) Free-market philosophy
- D) Competitive advantage
- E) Business model

Answer: A

Explanation: A business mindset refers to a view of business that considers the many decisions that must be made and the potential problems that must be overcome before the organization can deliver its products or services.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

28) What key aspect of running a business includes the ability to offer valuable goods and services while contributing to society?

- A) corporate social responsibility
- B) business mindset
- C) opportunities in the marketplace
- D) vertical integration
- E) producing intangibles

Answer: A

Explanation: Business has the potential to contribute to society in many useful ways, including offering goods and services, providing employment, paying taxes, and contributing to national growth, stability, and security.

Difficulty: 2: Moderate

AACSB: Analytical thinking

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

29) Businesses can impact society in both positive and negative ways. Occupying land and displacing existing businesses are examples of _____.

- A) generating pollution
- B) disrupting communities
- C) creating waste
- D) creating safety risks
- E) causing financial instability

Answer: B

Explanation: From occupying land to displacing existing businesses to overloading schools and roads with employees and their children, growing businesses can disrupt communities even as they provide employment and other benefits. And when businesses fall into decline, they can leave behind everything from abandoned buildings to laid-off workers.

Difficulty: 2: Moderate

AACSB: Analytical thinking

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

30) Who are the workers who apply entrepreneurial strategies to cause large-scale social change?

- A) government regulators
- B) social responsibility leaders
- C) social entrepreneurs
- D) business mindset entrepreneurs
- E) high-value output leadership

Answer: C

Explanation: Social entrepreneurs, people who apply entrepreneurial strategies to enable large-scale social change, use business concepts as well.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

31) A business mindset is a view of business that considers the various decisions a business has to make as well as the challenges that it must overcome in order to be successful.

Answer: TRUE

Explanation: A business mindset is a view of business that considers the various decisions a business has to make as well as the challenges that it must overcome in order to be successful.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

32) Businesses can have both positive and negative effects on society.

Answer: TRUE

Explanation: The relationship between business and society is complex and far-reaching. Businesses can have both positive and negative effects on society.

Difficulty: 1: Easy

AACSB: Application of knowledge

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

33) Forces resulting from the practical application of science to a company's products and processes would best describe its social environment.

Answer: FALSE

Explanation: Every business operates within the broad social environment. Social environment refers to the trends and forces in society at large.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

34) Compare and contrast the perspective of a business professional with that of a consumer.

Answer: Consumer experiences include the impact of poor customer service, a sense for product value, and the entire experience of searching for, purchasing, and owning products. While a customer thinks about the cost of buying a particular product, a business professional thinks about the cost of making it, promoting it, and distributing it. A business professional focuses on what it takes to make a product stand out from the crowd and recognizes the importance of finding opportunities in the marketplace. He/she starts to develop a business mindset which involves an appreciation for the many decisions that must be made and the many challenges that must be overcome before companies can deliver the products that satisfy customer needs.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

35) Discuss the positive and negative role of business in society.

Answer: A business professional needs to recognize the positive and negative effects that business can have on society. Business has the potential to contribute to society in many useful ways, such as:

- Offering valuable goods and services.
- Providing employment, which enables employees to provide for themselves and their families. In addition, many companies help their employees meet the costs of health care, child care, insurance, retirement, and other living expenses.
- Paying taxes. Money collected from taxes that helps build highways, fund education, further scientific research, enhance public safety and national defense, and support other vital functions of government.
- Contributing to national growth, stability, and security. Beyond the mere dollars of taxes paid, a strong economy helps ensure a strong country.

Unfortunately, businesses don't always operate in ways that benefit society. The potentially negative effects that business can have on society include generating pollution and creating waste, creating health and safety risks, disrupting communities, and causing financial instability. The potential negative effects of business are serious matters, but employees can conduct themselves in ways that balance the profit motive with society's shared interests.

Difficulty: 3: Challenging

AACSB: Ethical understanding and reasoning

LO: 1.2: List three steps you can take to help make the leap from consumer to business professional.

36) Population trends that change the composition of consumer markets and the workforce are a part of a company's _____ environment.

- A) economic
 - B) regulatory
 - C) cultural
 - D) social
 - E) political
- Answer: D

Explanation: Every business operates within the broad social environment, the trends and forces in society at large. For instance, all companies are affected by population trends that change the composition of consumer markets and the workforce.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

37) Which one of the following is true regarding the economic environment of business that shapes the behavior of buyers and sellers?

- A) Forces resulting from the practical application of science are effected by the economic environment.
- B) Virtually every decision made is influenced by the economic environment.
- C) Laws and regulations that restrain, support, and protect businesses protect the economic environment.
- D) Targeted customers and competitors that market similar products will not affect the economic environment.
- E) Population trends, social values, and relationships of society and business are dependent on the economic environment.

Answer: B

Explanation: Conditions and forces in the economic environment affect the cost and availability of goods, services, and labor; so they shape the behavior of buyers and sellers.

Difficulty: 2: Moderate

AACSB: Analytical thinking

LO: 1.3: Discuss the five major environments in which every business operates.

38) Because they fundamentally change the nature of an industry, _____ can be powerful enough to create or destroy entire companies.

- A) adaptive technologies
- B) disruptive technologies
- C) apocryphal technologies
- D) incremental technologies
- E) innovative technologies

Answer: B

Explanation: Disruptive technologies fundamentally change the nature of an industry. Therefore, they can have sufficient power to create or destroy entire companies.

Difficulty: 2: Moderate

AACSB: Information technology

LO: 1.3: Discuss the five major environments in which every business operates.

39) All groups affected by a company's activities are referred to as its _____.

- A) shareholders
- B) customers
- C) stakeholders
- D) employees
- E) suppliers

Answer: C

Explanation: Stakeholders refers to the internal and external groups affected by a company's decisions and activities.

Difficulty: 1: Easy

AACSB: Ethical understanding and reasoning

LO: 1.3: Discuss the five major environments in which every business operates.

40) The term _____ refers to forces resulting from the practical application of science to innovations, products, and processes.

- A) social trends
- B) research and development
- C) barriers to entry
- D) technological environment
- E) business mindset

Answer: D

Explanation: The technological environment refers to forces resulting from the practical application of science to innovations, products, and processes.

Difficulty: 2: Moderate

AACSB: Information technology

LO: 1.3: Discuss the five major environments in which every business operates.

41) The conditions that affect the cost and availability of goods, services and labor, and the behavior of buyers and sellers are BEST described as the _____ environment.

- A) market
- B) regulatory
- C) legal
- D) economic
- E) social

Answer: D

Explanation: Virtually every decision a company makes is influenced by the economic environment, the conditions and forces that (a) affect the cost and availability of goods, services, and labor and (b) thereby shape the behavior of buyers and sellers.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

42) The legal and regulatory environment would include _____.

- A) demographic factors
- B) technological innovations
- C) the number of competitors in the market
- D) preferences of the consumers
- E) the speed of obtaining licenses

Answer: E

Explanation: Every business is affected by the legal and regulatory environment, the sum of laws and regulations at the local, state, national, and even international level.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

43) The policies and practices of government bodies would shape the _____ environment for a business.

- A) legal and regulatory
- B) technological
- C) social
- D) economic
- E) market

Answer: A

Explanation: Every business is affected by the legal and regulatory environment, the sum of laws and regulations at the local, state, national, and even international level. The policies and practices of government bodies also establish an overall level of support for businesses operating within their jurisdictions.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

44) Which of the following is a component of the specific market environment within which each business operates?

- A) demographic factors
- B) competitors
- C) technological innovations
- D) environmental restrictions
- E) the speed of granting permits and licenses

Answer: B

Explanation: Every company operates within a specific market environment composed of three important groups: (1) its target customers, (2) buying influences that shape the behavior of those customers, and (3) competitors—other companies that market similar products to those customers.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

45) _____ refers to a company's target customers, the buying influences that shape the behavior of those customers, and competitors that market similar products to those customers.

- A) Regulatory environment
- B) Social environment
- C) Economic environment
- D) Market environment
- E) Technological environment

Answer: D

Explanation: Market environment refers to a company's target customers, the buying influences that shape the behavior of those customers, and competitors that market similar products to those customers.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

46) The practical application of science to products and innovations has the potential to create change in almost every facet of business, as part of the _____.

- A) social environment
- B) wearable and mobile technology revaluation
- C) technological environment
- D) economic environment
- E) stakeholders responsibility

Answer: C

Explanation: Technological environment stems from the practical application of science to innovations, products, and processes. Technological advances have the potential to change every facet of business, from altering internal processes to creating or destroying market opportunities.

Difficulty: 2: Moderate

AACSB: Information technology

LO: 1.3: Discuss the five major environments in which every business operates.

47) What types of technologies are strong enough to create or destroy companies?

- A) connective
- B) social media
- C) mobile
- D) disruptive
- E) collaborative

Answer: D

Explanation: Disruptive technologies, those that fundamentally change the nature of an industry, can be powerful enough to create or destroy entire companies. Many of the technologies that you use in your academic, personal, and social activities, from digital audio and video to the Internet to social media, are disruptive technologies that have shaken up multiple industries.

Difficulty: 3: Challenging

AACSB: Information technology

LO: 1.3: Discuss the five major environments in which every business operates.

48) If mobile technology is a disruptive technology, why do organizations value integration of the technology?

- A) Stakeholders are demanding an increase in the use of the newest technologies.
- B) Mobile technology is more cost effective than traditional methods of communication.
- C) Mobile technology is more consistent in international markets.
- D) Once integrated, the technology has fewer shifts and is easy to maintain.
- E) Mobile technology can boost productivity and help form closer relationships with customers.

Answer: E

Explanation: Mobile apps and communication systems can boost employee productivity, help companies form closer relationships with customers and business partners, and spur innovation in products and services. Given the advantages and the rising expectations of employees and customers, firms on the leading edge of the mobile revolution are working to integrate mobile technology throughout their organizations.

Difficulty: 3: Challenging

AACSB: Information technology

LO: 1.3: Discuss the five major environments in which every business operates.

49) What is the primary use of smartphone technology in the workplace?

- A) voice traffic
- B) data traffic
- C) word processing
- D) app generation
- E) data and file storage

Answer: B

Explanation: For many people, the fact that a smartphone can make phone calls is practically a secondary consideration; data traffic from mobile devices far outstrips voice traffic.

Difficulty: 2: Moderate

AACSB: Information technology

LO: 1.3: Discuss the five major environments in which every business operates.

50) What is the ability to send vast amounts of data instantly and globally called?

- A) social media
- B) economic impact
- C) radical connectivity
- D) disruptive technology
- E) smart technology

Answer: C

Explanation: Social media pioneer Nicco Mele coined the term radical connectivity to describe "the breathtaking ability to send vast amounts of data instantly, constantly, and globally."

Difficulty: 2: Moderate

AACSB: Information technology

LO: 1.3: Discuss the five major environments in which every business operates.

51) What part of the market environment shapes the behavior of customers?

- A) target market
- B) buying influences
- C) competitors
- D) regulatory influences
- E) connectivity

Answer: B

Explanation: A market environment is composed of three important groups: (1) its target customers, (2) the buying influences that shape the behavior of those customers, and (3) competitors.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

52) A firm sets up a paper-manufacturing factory in a country which has very strict regulations regarding disposal of industrial waste. This increases the cost of production of the firm. This is an example of the social environment of the firm.

Answer: FALSE

Explanation: Every business operates within the broad social environment. Social environment refers to the trends and forces in society at large.

Difficulty: 2: Moderate

AACSB: Ethical understanding and reasoning

LO: 1.3: Discuss the five major environments in which every business operates.

53) The term stakeholders refers only to those people who have invested money in the company's stock.

Answer: FALSE

Explanation: All internal and external groups affected by a company's decisions and activities are referred to as its stakeholders.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.3: Discuss the five major environments in which every business operates.

54) Compare and contrast the social environment and the economic environment of a business.

Answer: Social environment refers to the trends and forces in society at large. For instance, all companies are affected by population trends that change the composition of consumer markets and the workforce. The economic environment of a business consists of the conditions and forces that (a) affect the cost and availability of goods, services, and labor and (b) thereby shape the behavior of buyers and sellers. For example, a growing economy can help companies by increasing demand and supporting higher prices for their products, but it can also raise the costs of labor and the materials the companies need to do business.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.3: Discuss the five major environments in which every business operates.

55) Discuss the legal and regulatory environment of a business. How is it related to barriers to entry? What kind of legal and regulatory environment do most businesses prefer?

Answer: Every business is affected by the legal and regulatory environment: the sum of laws and regulations at the local, state, national, and even international level. Some businesses, such as electricity and other basic utilities, are heavily regulated, even to the point of government agencies determining how much such companies can charge for their services. The degree to which various industries should be regulated remains a point of contention, year in and year out. Government testing and approval, tightly controlled markets, strict licensing procedures can act as barriers to entry.

Businesses prefer to locate and do business in jurisdictions that offer lower costs, lower complexity, and greater stability and predictability. The policies and practices of government bodies establish an overall level of support for businesses operating within their jurisdictions. Taxation, fees, efforts to coordinate multiple regulatory agencies, the speed of granting permits and licenses, labor rules, environmental restrictions, protection for assets such as patents and brand names, roads and other infrastructure, and the transparency and consistency of decision making all affect this level of support.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.3: Discuss the five major environments in which every business operates.

56) Compare and contrast the technological environment and the market environment within which a business operates.

Answer: The technological environment refers to forces resulting from the practical application of science to innovations, products, and processes. Technological changes have the potential to change every facet of business, from altering internal processes to creating or destroying market opportunities.

Every company operates within a specific market environment composed of three important groups: (1) its target customers, (2) buying influences that shape the behavior of those customers, and (3) competitors—other companies that market similar products to those customers. The nature and behavior of these groups and their effect on business strategy vary widely from industry to industry.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.3: Discuss the five major environments in which every business operates.

57) _____ activities are intended to identify new ideas that have the potential to result in new goods and services.

- A) Information technology
- B) Operations management
- C) Research and development
- D) Human resources
- E) Accounting

Answer: C

Explanation: Research and development (R&D) refers to the functional area responsible for conceiving and designing new products.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

58) The advent of _____ has put buyers and sellers on much more equal footing.

- A) cloud computing
- B) B2B marketing
- C) adaptive technology
- D) social media
- E) pop-up advertising

Answer: D

Explanation: Due to *social media*, consumers are no longer passive recipients of broadcast advertising messages. Instead, they participate in unstructured conversations with companies and with each other. The result has been a profound power shift that puts buyers on much more equal footing with sellers.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

59) Which of the following enables companies to design new and better ways to run their operations?

- A) process R&D
- B) marketing
- C) purchasing
- D) facilities
- E) human resources

Answer: A

Explanation: Companies can engage in process R&D to design new and better ways to run their operations.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

60) _____ systems can be used to promote communication and data usage through the company or to customers.

- A) Research and development (R&D)
- B) Strategic marketing
- C) Product engineering
- D) Information technology (IT)
- E) Forensic technology (FT)

Answer: D

Explanation: Information technology (IT) systems promote communication and information usage through the company or allow companies to offer new services to their customers.

Difficulty: 2: Moderate

AACSB: Information technology

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

61) Which of the following best describes the department where the company's products are made, or its service is performed?

- A) Operations
- B) Finance
- C) Distribution
- D) Process R&D
- E) Marketing

Answer: A

Explanation: Variously called manufacturing, production, or operations, this area is where the company makes whatever it makes (for goods-producing businesses) or does whatever it does (for service businesses).

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

62) The _____ function of an organization coordinates the incoming flow of materials and the outgoing flow of finished products.

- A) finance
- B) logistics
- C) human resource
- D) purchasing
- E) sales

Answer: B

Explanation: Logistics involves coordinating the incoming flow of materials and the outgoing flow of finished products.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

63) Which of the following activities would be a part of facilities management?

- A) designing a new product
- B) devising a marketing strategy
- C) ensuring that the office building adheres to safety standards
- D) delivering the finished product to the customer
- E) maintaining demographic and contact details of potential customers

Answer: C

Explanation: Facilities management is responsible for everything from planning new buildings to maintaining them.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

64) An operations manager is most likely to be responsible for _____.

- A) developing relationships with potential customers
- B) using social media to interact with customers
- C) helping to promote products to retailers
- D) creating branding and advertising strategies
- E) arranging to buy the necessary materials for manufacturing

Answer: E

Explanation: In addition to supervising the actual production activity, operations managers are responsible for a wide range of other strategies and decisions, including purchasing (arranging to buy the necessary materials for manufacturing).

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

65) Creating branding and advertising strategies to communicate with potential customers would fall under the _____ function of a business.

- A) human resource
- B) accounting
- C) logistics
- D) marketing
- E) research and development

Answer: D

Explanation: Marketing is charged with identifying opportunities in the marketplace, working with R&D to develop the products to address those opportunities, creating branding and advertising strategies to communicate with potential customers, and setting prices.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

66) The _____ function of a business involves the recruiting, hiring and support of its personnel.

- A) operations
- B) finance
- C) human resources
- D) accounting
- E) information technology

Answer: C

Explanation: The human resources (HR) function is responsible for recruiting, hiring, developing, and supporting employees.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

67) Research and development fuels new ideas and designs for the company's products and services that allow it to meet customer needs in competitive markets.

Answer: TRUE

Explanation: R&D fuels new ideas and designs for the company's products and services that allow it to meet customer needs in competitive markets.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

68) An employee who is responsible for creating a branding and marketing strategy is most likely to be a part of the firm's operations management team.

Answer: FALSE

Explanation: A person responsible for a company's branding and marketing strategy will be part of strategic management rather than operations management.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

69) In general, accounting managers are responsible for planning, while financial managers are responsible for monitoring and reporting.

Answer: FALSE

Explanation: In general, financial managers are responsible for planning, while accounting managers are responsible for monitoring and reporting.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

70) Companies that sell shares of stock to the public are required to have their financial records audited by an outside accounting firm.

Answer: TRUE

Explanation: Companies that sell shares of stock to the public are required to have their financial records audited by an outside accounting firm.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

71) Describe the six major functional areas in a business enterprise.

Answer: The six major functional areas in a business are:

(1) Research and development (R&D) creates the goods and services that a company can manufacture or perform for its customers. (2) Manufacturing, production, or operations is that part of the company where the firm makes whatever it makes or performs whatever services it performs. (3) The related group of functions in marketing, sales, distribution, and customer support are responsible for identifying market opportunities, crafting the promotional strategies, and making sure customers are supplied and satisfied with their purchases. (4) Finance and accounting plan for the company's financial needs, control spending, and report on financial matters. (5) The human resources (HR) function recruits, hires, develops, and supports employees. (6) A variety of business services provides expertise in law, real estate, and other areas.

Difficulty: 1: Easy

AACSB: Analytical thinking

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

72) Compare and contrast the research and development and the operations functions of a business.

Answer: Products are conceived and designed through research and development (R&D), sometimes known as product design or engineering. It creates the goods and services that a company can manufacture or perform for its customers. Companies can also engage in process R&D to design new and better ways to run their operations.

Manufacturing, production, or operations is that part of the company where the firm makes whatever it makes or performs whatever services it performs. In addition to supervising the actual production activity, operations managers are responsible for a wide range of other strategies and decisions, including purchasing (arranging to buy the necessary materials for manufacturing), logistics (coordinating the incoming flow of materials and the outgoing flow of finished products), and facilities management (everything from planning new buildings to maintaining them).

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.4: Explain the purpose of the six major functional areas in a business enterprise.

73) _____ audit the financial reports of public companies as required by law.

- A) Internal accountants
- B) External auditors
- C) Credit managers
- D) Management accountants
- E) Forensic accountants

Answer: B

Explanation: Companies that sell shares of stock to the public are required to have their financial records audited by an outside accounting firm.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

74) _____ encompasses all the people and processes used to create the goods and perform the services that a company sells.

- A) Sales and marketing
- B) Information technology management
- C) Human resources management
- D) Operations management
- E) Financial management

Answer: D

Explanation: Operations management encompasses all the people and processes used to create the goods and perform the services that a company sells.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

75) An HR specialist is most likely to be responsible for which of the following activities?

- A) motivate and train diverse workforces
- B) production monitoring
- C) design, implement, and maintain information systems
- D) file the annual tax returns for the company
- E) verify the financial reports of public companies

Answer: A

Explanation: HR specialists and managers plan and direct human resource activities that include recruiting, training and development, compensation and benefits, employee and labor relations, and health and safety.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

76) A management accountant is likely to be responsible for which of the following activities?

- A) purchasing raw material for production
- B) assessing the manufacturing costs of new products
- C) determining the prices of products
- D) removing a distributor from the supply chain
- E) determining the money allocated for marketing

Answer: B

Explanation: Management accountants are responsible for collecting, analyzing, and reporting on financial matters—such as analyzing budgets, assessing the manufacturing costs of new products, and preparing state and federal tax returns.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

77) Which of the following positions would be responsible for establishing the long-term financial goals of the company, investing funds and raising capital?

- A) credit manager
- B) internal auditor
- C) chief information officer
- D) forensic accountant
- E) finance officer

Answer: E

Explanation: Treasurers and finance officers have a more strategic role, establishing long-term financial goals and budgets, investing the firm's funds, and raising capital as needed.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

78) While in the past, _____ was viewed as a tactical function, today it is viewed as being strategic and focused on global competition.

- A) human resources
- B) operations management
- C) sales
- D) marketing
- E) accounting

Answer: A

Explanation: In the past, top executives and professionals in other functional areas sometimes viewed HR as a tactical function concerned mostly with processing employee records and other nonstrategic duties. However, in many companies, the HR function is becoming more strategic and focused on the global competition to find, attract, and keep the best talent on the market.

Difficulty: 2: Moderate

AACSB: Analytical thinking

LO: 1.5: Summarize seven of the most important business professions.

79) Because of the increasing importance of the field, most companies now employ _____ to oversee the development of IT strategies for the organization.

- A) web designers
- B) chief information officers
- C) systems specialists
- D) technical specialist
- E) IT managers

Answer: B

Explanation: Reflecting IT's strategic importance, many midsize and large companies now have a chief information officer (CIO) position at the executive level to plot IT strategy.

Difficulty: 1: Easy

AACSB: Information technology

LO: 1.5: Summarize seven of the most important business professions.

80) Which of the following verify the efforts of an organization's accounting department?

- A) public accountants
- B) management accountants
- C) internal auditors
- D) external auditors
- E) forensic accountants

Answer: C

Explanation: Internal auditors verify the work of the company's accounting effort and look for opportunities to improve efficiency and cost-effectiveness.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

81) Who are those responsible for investigating financial crimes?

- A) financial managers
- B) controllers
- C) external auditors
- D) forensic accountants
- E) treasurers

Answer: D

Explanation: Forensic accountants investigate financial crimes.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

82) Who has the strategic, long-term responsibility for raising funds for an organization when needed?

- A) financial managers
- B) cash managers
- C) credit managers
- D) controllers
- E) finance officers

Answer: E

Explanation: Treasurers and finance officers have a more strategic role, establishing long-term financial goals and budgets, investing the firm's funds, and raising capital as needed.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

83) The chief information officer (CIO) is responsible for the preparation of income statements and balance sheets.

Answer: FALSE

Explanation: Accountants and controllers are responsible for the preparation of income statements, balance sheets, and other financial reports.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

84) Internal auditors verify the work of the company's accounting effort and look for opportunities to improve efficiency and cost effectiveness.

Answer: TRUE

Explanation: Internal auditors verify the work of the company's accounting effort and look for opportunities to improve efficiency and cost effectiveness.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

85) Unlike accounting tasks, the work of financial managers is generally kept "in house," particularly in midsize and large companies.

Answer: TRUE

Explanation: Unlike accounting tasks, for which there is a long tradition of outsourcing, the work of financial managers is generally kept in-house, particularly in midsize and large companies. The work of a financial manager touches every part of the company, so a broad understanding of the various functional areas in business is a key attribute for this position.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.5: Summarize seven of the most important business professions.

86) What are the functions of HR specialists and managers? How has the role of the HR function changed over time? Compare it with the functions of a chief information officer.

Answer: HR specialists and managers plan and direct human resource activities that include recruiting, training and development, compensation and benefits, employee and labor relations, and health and safety. Additionally, HR managers develop and implement human resources systems and practices to accommodate a firm's strategy and to motivate and manage diverse workforces. In the past, HR was seen by many as a lower-level function concerned mostly with processing employee records and other tactical duties. However, in many companies, the HR function is becoming more strategic and focused on the global competition to find, attract, and keep the best talent on the market.

Like HR, information technology (IT) is evolving from a tactical support function to a critical strategic component. Reflecting IT's strategic importance, many midsize and large companies now have a chief information officer (CIO) position at the executive level to plot IT strategy.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.5: Summarize seven of the most important business professions.

87) _____ is the quality of performing at a high level and conducting oneself with purpose and pride.

A) Business mindset

B) Professionalism

C) Job enrichment

D) Positive reinforcement

E) Etiquette

Answer: B

Explanation: Professionalism is the quality of performing at a high level and conducting oneself with purpose and pride.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.6: Identify seven components of professionalism.

88) Which of the following activities is most likely to be considered unprofessional?

A) Viewing constant change as a positive thing, as a way to avoid stagnation and boredom.

B) Being conservative with commitments.

C) Helping others in the team to improve their performance.

D) Posting critical comments regarding the employer in a personal blog.

E) Providing practical information, when required.

Answer: D

Explanation: Professionals don't talk negatively to their employers in front of customers or in their personal blogs. When they have a problem, they solve it; they don't share it.

Difficulty: 2: Moderate

AACSB: Ethical understanding and reasoning

LO: 1.6: Identify seven components of professionalism.

89) The expected norms of behavior in a particular situation are referred to as _____.

- A) etiquette
- B) dependability
- C) expectancy
- D) energy
- E) accountability

Answer: A

Explanation: Etiquette refers to the expected norms of behavior in any particular situation.

Difficulty: 2: Moderate

AACSB: Ethical understanding and reasoning

LO: 1.6: Identify seven components of professionalism.

90) Performing at a high level, and continuing to improve is an indication of _____ in one's pursuit of professionalism.

- A) being a team player
- B) making ethical decisions
- C) being dependable and accountable
- D) maintaining a confident, positive outlook
- E) striving to excel

Answer: E

Explanation: Not only do you have an ethical obligation to give your employer and your customers your best effort, but excelling at each level in your career is the best way to keep climbing up to new positions of responsibility.

Difficulty: 2: Moderate

AACSB: Ethical understanding and reasoning

LO: 1.6: Identify seven components of professionalism.

91) What should be done to improve communications and ensure the most effective communications possible?

- A) Provide practical information.
- B) Limit access to all data and release only what is necessary.
- C) Present opinions in a forceful manner so they appear to be fact based.
- D) Provide all detail possible in each message.
- E) Make it clear how you will benefit from the audiences response to your message.

Answer: A

Explanation: Give people useful information that is adapted to their specific needs.

Difficulty: 2: Moderate

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.

92) What should be done to limit your own filters and biases and to truly seek to improve the communication process?

- A) give facts rather than opinions
- B) listen actively
- C) clarify expectations
- D) be concise and efficient
- E) offer compelling arguments

Answer: B

Explanation: Active listening means making a conscious effort to turn off your own filters and biases to truly hear and understand what someone else is saying.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.

93) Your professionalism, and how others view your efforts, is affected by your _____, and is a vital element in promoting workplace harmony.

- A) ethics
- B) listening skills
- C) personal demeanor
- D) communication skills
- E) level of teamwork

Answer: C

Explanation: Your energy, positive or negative, is contagious. Personal demeanor is therefore a vital element of workplace harmony.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.

94) One of the best ways to establish yourself as professional, and to stand out from your competition, is to _____.

- A) improve your communication skills
- B) have a strong commitment to ethics
- C) have a professional demeanor
- D) be accountable at all times
- E) be a team player

Answer: A

Explanation: If you're looking for a surefire way to stand out from your competition and establish yourself as a competent professional, improving your communication skills may be the most important step you can take.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.

95) What makes a great team player, and is often an indication of management skills?

- A) strong communication skills
- B) being able to make others more effective
- C) making deadlines
- D) showing loyalty to the group at all costs
- E) protecting the reputation of the team

Answer: B

Explanation: In fact, the ability to help others improve their performance is one of the key attributes executives look for when they want to promote people into management.

Difficulty: 2: Moderate

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.

96) Dependability includes meeting your commitments, such as staying on schedule and within budgets.

Answer: TRUE

Explanation: Being dependable includes developing a reputation as somebody people can count on. This means meeting your commitments, including staying on schedule and staying within budgets.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.6: Identify seven components of professionalism.

97) Etiquette is the quality of performing your job to the best of your ability and conducting yourself with purpose and pride.

Answer: FALSE

Explanation: Etiquette refers to the expected norms of behavior in any particular situation.

Difficulty: 2: Moderate

AACSB: Application of knowledge

LO: 1.6: Identify seven components of professionalism.

98) What is professionalism? List the key traits of professionalism.

Answer: Professionalism is the quality of performing at a high level and conducting yourself with purpose and pride. True professionals exhibit seven distinct traits: striving to excel, being dependable and accountable, being a team player, communicating effectively, demonstrating a sense of etiquette, making ethical decisions, and maintaining a positive outlook.

Difficulty: 1: Easy

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.

99) Why is being a team player an important aspect of professionalism?

Answer: Professionals know that they are contributors to a larger cause, that it's not all about them. Great team players know how to make those around them more effective, whether it's lending a hand during crunch time, sharing resources, removing obstacles, making introductions, or offering expertise. Being a team player also means showing loyalty to your organization and protecting your employer's reputation—one of the most important assets any company has. Professionals don't trash their employers in front of customers or in their personal blogs. When they have a problem, they solve it; they don't share it.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.

100) Discuss each of the seven guidelines to improve your communication skills.

Answer: First, listen actively. Active listening means making a conscious effort to turn off your own filters and biases to truly hear and understand what someone else is saying. Second, provide practical information. Give people useful information that is adapted to their specific needs. Next, give facts rather than vague impressions. Use concrete language, specific detail, and supporting information that is clear, convincing, accurate, and ethical. Fourth, don't present opinions as facts. If you are offering an opinion, make sure the audience understands that. Fifth, present information in a concise, efficient manner. Audiences appreciate—and respond more positively to—high-efficiency messages. Next, clarify expectations and responsibilities. Clearly state what you expect from your readers or listeners and what you can do for them. Finally, offer compelling, persuasive arguments and recommendations. Make it clear to people how they will benefit from responding to your messages the way you want them to.

Difficulty: 3: Challenging

AACSB: Analytical thinking

LO: 1.6: Identify seven components of professionalism.