

SM108 Mid-Term Exam

Part I. True/False

Indicate whether the sentence or statement is true or false.

- ___ 1. Relationship management is a collection of activities that build and maintain ongoing, mutually beneficial ties between a business and its customers and other parties.
- ___ 2. Exporting refers to selling domestically-produced goods and services in foreign countries.
- ___ 3. A corporation operating outside its state of incorporation is known as a domestic corporation.
- ___ 4. Entrepreneurs do not have tolerances for ambiguity.
- ___ 5. A partnership formed to create a competitive advantage for the businesses involved is known as Limited Liability Corporation.
- ___ 6. The standards of conduct and moral values governing actions and decisions in the work environment are called business practices.
- ___ 7. An entrepreneur is a person who seeks a profitable opportunity and then devises a plan to achieve that profit.
- ___ 8. A joint venture is a partnership between companies formed for a specific purpose. The companies share the investment, the risk, and the rewards.
- ___ 9. When a publicly traded firm is suspected of unethical or illegal behavior, the Security Exchange Service will conduct an investigation.
- ___ 10. Management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance is Social Responsibility.
- ___ 11. Microeconomics and macroeconomics are interrelated.
- ___ 12. Less-developed countries do not represent as lucrative a market for U.S. firms because of their lower per capita incomes.
- ___ 13. Entrepreneurs are successful businessmen who are unwilling to take risks in the private enterprise system.
- ___ 14. Decisions made by individuals and businesses have little impact on overall economic conditions.
- ___ 15. The corporate culture of an organization is influenced by the leadership styles of its managers.
- ___ 16. Managers may switch from one style of leadership to another depending on the situation.
- ___ 17. Democratic leaders give their subordinates the authority to make all decisions.

- _____ 18. Human resource departments are responsible for forecasting sales and personnel requirements, as well as recruiting new employees.
- _____ 19. A firm's human resource plans and its competitive strategies are unrelated.
- _____ 20. Human resource managers are responsible for creating a work environment that generates employee satisfaction.

Part II. Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- _____ 1. The primary reasons people become entrepreneurs include all EXCEPT which one of the following reasons?
 - a. To be one's own boss.
 - b. To become a financial success.
 - c. To create employment opportunities for other people.
 - d. To create one's own job security.
- _____ 2. Assume the price of gasoline triples. What will likely happen to the demand for large SUVs? The demand curve will shift to the _____ and demand will _____.
 - a. left; decrease
 - b. left; increase
 - c. right; decrease
 - d. right; increase
- _____ 3. At the end of the year, Guam, with its limited resources, found that the amount of imports required to meet its needs that year was almost \$11 billion more than the \$4 billion in domestically produced goods it was able to sell abroad. Therefore, Guam has a(n) _____.
 - a. favorable balance of payments
 - b. trade surplus
 - c. successful attempt at self-sufficiency
 - d. unfavorable balance of trade
- _____ 4. The factors of production in an economic system are _____.
 - a. land, rent, capital, and human resources
 - b. capital, perseverance, natural resources, and human resources
 - c. rent, wages, interest, and profit
 - d. natural resources, human resources, capital, and entrepreneurship
- _____ 5. Which of the following is the first step in the development of a corporate culture designed to support ethical behavior?
 - a. Ethical leadership
 - b. Ethical awareness
 - c. Ethical reasoning
 - d. Ethical action
- _____ 6. A large part of the U.S. economy's growth comes from _____.
 - a. petroleum exports
 - b. computer technology
 - c. the export and import of goods and services
 - d. production of consumer electronic products
- _____ 7. All of the following are contributions of small businesses EXCEPT:
 - a. They provide more job security than large corporations.
 - b. They fuel local economies.
 - c. They provide needed services to the larger corporate community.
 - d. They create a substantial number of new jobs.

- _____ 8. Business ethics begins with _____.
a. the individual employee c. a code of conduct
b. the government d. a firm's customers
- _____ 9. All of the following statements are correct EXCEPT:
a. Successful businesses seek to meet their social and ethical responsibilities.
b. Business is the economic pulse of a nation.
c. Business are guaranteed to make profits.
d. Business provides goods and services necessary to an economic system.
- _____ 10. Capitalism is founded on _____.
a. the social changes that followed the Industrial Revolution
b. the idea that 80 percent of the nation's wealth should be owned by no more than 20 percent of the people
c. the idea that the government must own all factors of production
d. the belief that competition among business firms best serves the needs of society
- _____ 11. Businesses have responsibilities to _____.
a. investors only c. investors, customers, and employees
b. investors and customers d. investors, customers, employees, and society
- _____ 12. Entrepreneurs and small-business owners both have all of the following qualities EXCEPT:
a. Desire to succeed. c. Drive towards a goal.
b. Creative energy. d. Growth of their company.
- _____ 13. As the number of suppliers of a product declines, the supply curve shifts to the _____ and the price will _____.
a. left; rise c. right; rise
b. left; fall d. right; fall
- _____ 14. Franchising offers all of the following advantages EXCEPT _____.
a. prior performance record c. guaranteed level of profitability
b. a recognizable company name d. training
- _____ 15. Management is the process of achieving _____ through people and other resources.
a. profits c. organizational objectives
b. status d. societal objectives
- _____ 16. Which type of planning determines the primary objectives of an organization, and then acts and allocates resources to achieve those objectives?
a. tactical planning c. contingency planning
b. strategic planning d. operational planning
- _____ 17. Decisions involving simple, common, frequently occurring problems for which solutions have already been determined are _____ decisions.
a. creative c. programmed
b. standard d. strategic

- ____ 18. The function of attracting, developing, and retaining enough qualified employees to perform the activities necessary to accomplish organizational objectives is part of _____.
 a. human resource management c. management objectives
 b. human asset accounting d. management development
- ____ 19. All of the following employee benefits are required by law with the exception of _____.
 a. Medicare c. unemployment insurance
 b. Social Security d. health insurance
- ____ 20. Which of the following is *not* a key principle of MBO?
 a. specific objectives for each individual c. autocratic decision making
 b. performance evaluation and feedback d. specific time period to accomplish goals

Part III. Vocabulary

Place the corresponding letter of the correct answer in the blank preceding the statement.

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|--------------------------|----------------------------------|
| a. Productivity | m. Seed Capital |
| b. Capital | n. Competitive Differentiation |
| c. Green Marketing | o. Conflict of Interest |
| d. Franchise | p. Inflation |
| e. Globalization | q. Venture Capitalist |
| f. Comparative Advantage | r. SWOT Analysis |
| g. Sole Proprietorship | s. Outsourcing |
| h. Merger | t. Decentralization |
| i. Acquisition | u. Human Resource Management |
| j. Factors of production | v. Departmentalization |
| k. Whistle Blowing | w. 360-degree performance review |
| l. Balance of Trade | |

- ____ 1. A strategy that emphasizes a firm's commitment to environmentally safe products and production.
- ____ 2. To operate effectively, certain inputs called _____ are required for all economic systems.
- ____ 3. An employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices of his or her employer is called_____.
- ____ 4. _____ is the relationship between the goods and services produced in a nation each year and the inputs needed to produce them.
- ____ 5. A country's _____ is the difference between its exports and imports.
- ____ 6. The significant increase of international marketing and sales is a result of _____.
- ____ 7. A situation where a business decision may be influenced by the potential for personal gain is a(n) _____.
- ____ 8. During a(n) _____, two or more firms combine to form one company.

- ____ 9. ____ results in rising prices caused by a combination of excess consumer demand and increases in the costs of raw materials.
- ____ 10. ____ refers to technology, tools, information, and physical facilities.
- ____ 11. A nation can have a(n) ____ in a product if it can supply it more efficiently and at a lower price.
- ____ 12. ____ is the unique combination of organizational abilities, products, and approaches that sets a company apart from competitors in the minds of consumers.
- ____ 13. The form of business ownership that is subject to the least legal red tape is ____.
- ____ 14. ____ is the initial funding needed to launch a new venture.
- ____ 15. A(n) ____ is an organized approach to assessing a company's internal strengths and weaknesses and its external opportunities and threats.
- ____ 16. ____ is the process of dividing work activities into units within the organization.
- ____ 17. A company that emphasizes ____ locates decision at lower levels.
- ____ 18. Using outside specialists to perform functions previously performed by company employees is called ____.
- ____ 19. The function of attracting, developing, and retaining enough qualified employees to perform the activities necessary to accomplish organizational objectives is called ____.
- ____ 20. One type of performance appraisal is the ____, which gathers feedback from a review panel of coworkers, supervisors, team members, and subordinates.

Extra Credit (5 pts): Answer the following:

What is the essence of business?