

490-Spring 2008-Exam2-PRACTICE**Multiple Choice**

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

- _____ 1. Most customer service problems are identified by
- personal observation.
 - outside consultants.
 - customer complaints.
 - entries in a suggestion box.
- _____ 2. Offering to relaunder a customer's shirt at no charge to add additional starch is an example of which key element in attaining customer satisfaction?
- basic benefits
 - general support services
 - a recovery process
 - extraordinary services
- _____ 3. In which category of a customer profile would a customer's shirt size most likely be stored?
- Customer contacts
 - Descriptive information
 - Responses to marketing stimuli
 - Transactions
- _____ 4. Buying an expensive set of underwear is most likely an attempt to satisfy which category of need?
- physiological
 - psychological
 - spiritual
 - social
- _____ 5. Your mother prompting you to "act like a lady (gentleman)" is the result of which sociological influence?
- culture
 - opinion leaders
 - reference groups
 - social class
- _____ 6. The _____ stage of the product development process entails planning for branding, packaging, and other supporting efforts such as pricing and promotion.
- business analysis
 - idea accumulation
 - product conceptualization
 - total product development
- _____ 7. Which of the following is *not* true with respect to labeling?
- It shows the product brand.
 - It is an informative tool for consumers.
 - It should include only the minimum legal requirements.
 - It should emphasize brand visibility.
- _____ 8. Effective evaluation of warranty policies should focus on all of the following *except*
- legal implications.
 - service capability.
 - customer perceptions.
 - former practices.

- _____ 9. Warranties are important for products
- that are relatively inexpensive.
 - that are frequently purchased.
 - that are relatively complex to repair.
 - regardless of how they are positioned in the market.
- _____ 10. A product strategy that includes a new product that is quite different from existing products
- can be very risky.
 - is often used by small businesses.
 - will likely determine the future direction of the firm.
 - is encouraged, as long as it represents no more than half of the firm's product offerings.
- _____ 11. The seller's measure of what he or she is willing to receive in exchange for transferring ownership or use of a product or service is known as
- credit.
 - average pricing.
 - demand.
 - price.
- _____ 12. The salesman told Todd that the high price of the dealerships' automobiles was indicative of their high quality. The dealership is using a _____ pricing strategy.
- skimming
 - penetration
 - variable
 - prestige
- _____ 13. Within the context of a price lining strategy, the inventory level of the different lines depends directly on the _____ of the store's customers.
- product awareness
 - personal demographics
 - credit worthiness
 - income level and buying desires
- _____ 14. Credit sales _____ the amount of working capital needed by the business doing the selling.
- augment
 - decrease
 - increase
 - offset
- _____ 15. Handyman Hardware, a small community-based store, offers its consumers the option of using credit. Creditworthy individuals are able to use the "HH Credit Card" for all purchases up to a credit limit of \$1,000. Consumers are required to pay at least 20 percent of their outstanding balance at the end of each month. A two percent finance charge is assessed on the unpaid balance at the end of each billing cycle. Handyman Hardware is employing _____ in its business.
- open charge accounts
 - installment accounts
 - revolving charge accounts
 - selective accounts
- _____ 16. A promotional mix is influenced by the following three major factors:
- Geography of the market, the size of the promotional budget, and product characteristics.
 - Geography of the market, retailer market, and product characteristics.
 - The firm's target customers, product characteristics, and budget requirements.
 - The firm's target customers, market size, and product characteristics.

- _____ 17. Which of the following is *not* a technique for prospecting?
- Impersonal referrals
 - Personal referrals
 - Public records
 - Agency-initiated contacts
- _____ 18. An example of a nonfinancial reward that may motivate a salesperson is
- personal recognition.
 - compensation.
 - a bonus plan.
 - a stock plan.
- _____ 19. A Web site is
- a location on the Web where users can find information about a company and its products.
 - an essential tool in today's business environment.
 - usually too expensive for small businesses to support.
 - often difficult for customers to find, and therefore of little use to reaching a market.
- _____ 20. Anne Dunne owns a small business dealing with industrial products. She currently uses personal selling extensively, but she wants to reduce her cost without losing exposure. Which promotional tool should she use?
- Specialties
 - Coupons
 - Contests
 - Trade show exhibits
- _____ 21. Lee Marine's attempt to extend the product life cycle of older models of its boats by selling them in international markets has not been effective strategy, in part, because
- international delivery systems cannot handle the variety of company distribution systems.
 - of the increasing similarity of customer preferences around the world.
 - income levels in many countries are insufficient to support this strategy.
 - product life cycles have already been growing over the years.
- _____ 22. Economies of scale refers to
- learning effects from manufacturing experience.
 - the incremental drop in costs that results from the doubling of output.
 - efficiencies that are most common in low-tech operations.
 - gains from the spreading of investment across more units of production.
- _____ 23. When an American biotechnology startup establishes an office in Brazil to manage teams of biologists that search the rain forest to find new plants that may have undiscovered medicinal properties, the firm has globalized to
- gain access to essential raw materials.
 - capitalize on special features of location.
 - expand its supply chain.
 - extend the life cycle of its products.
- _____ 24. If an entrepreneur has decided to go global, the next step is to
- begin to hire employees with international experience.
 - spend some time estimating the market potential of various countries.
 - join a trade mission.
 - plan a strategy that takes into account the potential of the firm.

- _____ 25. When the exchange rate for a currency rises relative to that of another country, the rising currency
- has decreased in value relative to the other currency.
 - has increased in value relative to the other currency.
 - has been devalued by its government.
 - reflects increased political risk in its home country.
- _____ 26. Barry Ramirez demands that his employees immediately comply with his orders. His leadership style is typical of _____ leaders.
- authoritative
 - coercive
 - pacesetting
 - affiliative
- _____ 27. Leadership in small firms is more _____ in comparison to the leadership in large corporations.
- haphazard
 - impersonal
 - personalized
 - more skillful
- _____ 28. Roger Childers owns and runs a printing firm with twelve employees. As a result of his extensive personal interaction with these employees, Childers realizes that
- the employees pretty well understand where the business is going.
 - a chain of command is unnecessary.
 - personnel policies would be overly restrictive.
 - marketing research is part of everyone's job.
- _____ 29. The fact that the daily "brush fires" of doing business tend to push aside planning until it is forgotten is the message of
- Parkinson's law of planning.
 - the Peter principle.
 - the tyranny of the urgent.
 - Murphy's law of strategic action.
- _____ 30. The first step in planning and improving one's use of time should be
- listing long-run objectives.
 - recording time spent on various activities during the day.
 - listing projects that need attention.
 - assigning priorities to unfinished tasks.
- _____ 31. New employees benefit most from orientation when it is given
- during the employment review.
 - after selection, but prior to reporting for work.
 - during the first two or three days on the job.
 - during the first year of employment.
- _____ 32. Management and other key personnel "get a piece of the action" through
- fringe benefits.
 - time-based compensation.
 - profit sharing.
 - tax benefits.
- _____ 33. Keys to developing effective bonus plans include all of the following EXCEPT
- Setting attainable goals.
 - Including employees in planning.
 - Keep updating the goals.
 - Discontinuing the bonus plan periodically.

- _____ 34. Profit-sharing plans
- provide a more direct incentive in small firms than in large firms.
 - are practically impossible to use successfully in small firms.
 - are similar to individual incentive plans in their motivational effect.
 - are an expensive fringe benefit for small firms, costing 40 percent of payroll.
- _____ 35. The cost of fringe benefits _____ the cost of salary and wage payments.
- is less than half of
 - is double
 - is equal to
 - considerably exceeds
- _____ 36. Quality circles consist of
- small groups of employees who meet periodically to discuss quality problems.
 - managers of several companies who meet annually to give prizes for best quality achievement.
 - leaders of labor unions who meet monthly to discuss the employees' work environment.
 - whistle-blowers within the company who wish to voice complaints.
- _____ 37. Inspections of equipment is part of
- production control.
 - supervising and follow-up.
 - scheduling and dispatching.
 - preventive maintenance.
- _____ 38. The owner of a small printing plant wishes to begin a preventive maintenance program. The owner should make plans for
- contracting with an outside firm for major repair services.
 - hiring millwrights.
 - periodic equipment inspections.
 - installing process control charts.
- _____ 39. The owner of a small bakery arranged a schedule for periodic inspections of equipment used in the bakery. The owner is establishing a system of
- reengineering.
 - quality management.
 - preventive maintenance.
 - benchmarking.
- _____ 40. The owner of a diesel engine business is planning on attending a seminar on reengineering. The owner should realize that the seminar will probably feature
- benchmarking.
 - attribute inspection.
 - ISO 9000.
 - analysis of basic processes.
- _____ 41. Which of the following is *not* encompassed in the broad meaning of risk management?
- Uninsurable risks
 - Impermeable risks
 - Insurable risks
 - Noninsurance approaches to reducing all types of pure risks

- _____ 42. In its general form, a self-insurance program
- designates funds for property.
 - designates funds for workers' compensation.
 - is a contingency fund for potential losses, regardless of their source.
 - is administered by an insurance company.
- _____ 43. Self-insurance means
- owning an insurance company.
 - owning stock in an insurance company.
 - saving to have money to cover possible future losses.
 - having coverage on the owner of the business.
- _____ 44. Traditionally, commercial property insurance has valued all property loss at
- the depreciated value of the damaged or lost property.
 - the undepreciated value of the damaged or lost property.
 - the actual cash value of the damaged or lost property.
 - the purchase value of the damaged or lost property.
- _____ 45. Life insurance purchased by a company with the company as sole beneficiary is
- key-person insurance.
 - a surety bond.
 - business interruption insurance.
 - credit insurance.
- _____ 46. The cash conversion period is the time between
- placement of an order and cash payment for it.
 - receipt of inventory and cash payment for it.
 - cash payment for inventory and collection of accounts receivable.
 - sale of inventory and cash collection of accounts receivable.
- _____ 47. Net cash flow and net profit are
- opposites.
 - different.
 - identical.
 - identical after adjustment for depreciation.
- _____ 48. The question "How many dollars in average profits are generated per dollar of average investment?" is answered using
- accounting return on investment.
 - investment outlay valuation.
 - net present value.
 - internal rate of return.
- _____ 49. Discounted cash flow (DCF) techniques compare the present value of future cash flows with
- the present value of capital.
 - the investment outlay.
 - project costs adjusted for inflation.
 - all of these answers.
- _____ 50. A reason that a small firm would not use a discounted cash flow technique in evaluating capital investments would be that
- the accounting rate of return is better for a small firm.
 - liquidity is less of an issue for a small company.
 - small firms invest more in short-term assets than do large companies.
 - nonfinancial issues may be more important for a small firm.

- _____ 51. Most small firms generate a balance sheet at least
- weekly.
 - monthly.
 - quarterly.
 - annually.
- _____ 52. An analysis of which of the following records facilitates maintenance of adequate stock levels?
- Accounts payable records
 - Accounts receivable records
 - Cash records
 - Inventory records
- _____ 53. Regardless of the method used to interpret financial statements, this should be able to answer the following question:
- Does the firm have the capacity to meet its long-term financial commitments?
 - Is the firm producing adequate operating profits on its short-term investment?
 - How is the firm financing its assets?
 - Is the firm generating sufficient returns on sales to cover its liabilities?
- _____ 54. When a firm borrows money, it is required, at a minimum, to pay
- part of the principle (the sum borrowed).
 - the interest on the debt.
 - part of the principle and the interest owed on the debt.
 - the taxes that accrue as a result of the money borrowed.
- _____ 55. Jackie's stockholders are primarily concerned that she constantly improve the firm's _____ ratio as it relates to their investments in the firm.
- return on total assets
 - profit margin on sales
 - return on equity
 - fixed asset turnover
- _____ 56. The basic ideas forming the foundation of customer loyalty for small firms include the notion that
- superior customer service will almost always lead directly to customer satisfaction.
 - customer satisfaction demands customer loyalty.
 - small firms possess great potential for providing superior customer service.
 - customer satisfaction is "the name of the game" for such businesses.
- _____ 57. According to Forrester Research, almost _____ percent of small to mid-sized businesses with fewer than 1,000 employees are interested in outsourcing some type of application.
- 20
 - 45
 - 60
 - 85
- _____ 58. A customer's use of a discount coupon would most likely be recorded in which category of her customer profile?
- Customer contacts
 - Descriptive information
 - Responses to marketing stimuli
 - Transactions

- _____ 59. Linda is considering several colleges at which to finish her engineering teaching degree. She is in the _____ stage of the consumer decision making process.
- information search and evaluation
 - problem recognition
 - post-purchase evaluation
 - purchase decision
- _____ 60. Even though it is available, Bob never purchases bottled water when he is thirsty. Bob's behavior indicates that bottled water
- does not meet Bob's evaluative criteria.
 - increases Bob's cognitive dissonance.
 - is not included in Bob's evoked set.
 - decreases Bob's perceptual categorization.
- _____ 61. Individual processes that ultimately give meaning to stimuli that confront consumers are known as
- perceptions.
 - motivations.
 - attitudes.
 - opinions.
- _____ 62. Attending a wedding is most likely an attempt to satisfy which category of need?
- physiological
 - psychological
 - spiritual
 - social
- _____ 63. Attending a prayer breakfast is most likely an attempt to satisfy which category of need?
- physiological
 - psychological
 - spiritual
 - social
- _____ 64. The reason that a group of uniformed people walking down the street playing musical instruments is recognized as a band is the result of
- characteristic profiling.
 - evaluative criteria.
 - perceptual categorization.
 - problem recognition.
- _____ 65. Divisions in society with different levels of social prestige are called
- reference groups.
 - cultures.
 - social classes.
 - perceptual categories.
- _____ 66. Groups that an individual allows to influence his or her behavior are known as
- reference groups.
 - referral groups.
 - perceptual groups.
 - associate groups.
- _____ 67. Kwan's desire for the spicy food of his homeland is the result of which sociological influence?
- culture
 - opinion leaders
 - reference groups
 - social class

- _____ 68. Your mother prompting you to “act your age” is the result of which sociological influence?
- culture
 - opinion leaders
 - reference groups
 - social class
- _____ 69. To maintain its performance, the small business must launch a new competitive advantage
- and keep that competitive advantage alive.
 - and make adjustments to that competitive advantage over time.
 - that rival firms can see and respond to.
 - before the current strategy has run its course.
- _____ 70. For small businesses, one growing threat to sustainable competitive advantage is a lack of
- available new technology.
 - government support.
 - legal planning.
 - new product development.
- _____ 71. Sustainable competitive advantage can be achieved only when the entrepreneur
- is quick to copy the approaches taken by rival firms that are successful.
 - combines environmental potentials with organizational capabilities to create customer value.
 - has a deep understanding of the latest technologies available to the firm.
 - is committed to employment independence.
- _____ 72. The collection of product lines within a firm's ownership and control is referred to as the
- product depth.
 - product accumulation.
 - product line consistency.
 - product mix.
- _____ 73. All of the following are stages in a formal product development process *except*
- business analysis.
 - idea accumulation.
 - product testing.
 - product conceptualization.
- _____ 74. All of the following are legitimate sources of new product ideas within the framework of a formal product development process *except*
- business personnel.
 - customer requests or suggestions.
 - government-owned patents.
 - competitor-owned patents.
- _____ 75. All of the following are appropriate vehicles for testing a product in the product development process *except*
- laboratory tests.
 - limited market field tests.
 - purchase simulations.
 - tests of the physical product.
- _____ 76. Explicit functions of packaging include all of the following *except*
- increasing the quality of the total product.
 - distinguishing the product from competitors' products.
 - influencing customers.
 - protecting the product.

- _____ 77. Small businesses can protect their intangible assets by means of any of the following *except*
- trademarks.
 - patents.
 - copyrights.
 - formal redress.
- _____ 78. The United States Patent and Trade Office rejected Microsoft's 1990 effort to gain exclusive rights to the name *Windows*. This decision illustrates the fact that
- copyright protection has its limits.
 - design patents do not cover computer software applications.
 - trade dress will not cover the "look and feel" of a product, as Microsoft claimed.
 - common-law rights do not always justify trademark protection over a generic term.
- _____ 79. When a small firm operates with more than one channel of distribution, it is said to be using
- multiple distribution.
 - dual distribution.
 - channel integration.
 - intermediary replication.
- _____ 80. Import Properties, a small firm that imports trade goods from South America, ships purchased goods on one of two company-owned vessels. Import Properties operates as a
- common carrier.
 - public carrier.
 - private carrier.
 - contract carrier.
- _____ 81. Bovine Ice Cream is a small frozen-dairy business that engages in contractual agreements with transportation intermediaries in order to move its products from its manufacturing facility to distant markets. Bovine Ice Cream is employing _____ for its shipping needs.
- common carriers
 - public carriers
 - private carriers
 - contract carriers
- _____ 82. The total sales revenue of a small business is a direct reflection of
- sales volume and credit terms.
 - price and credit terms.
 - price and expenses.
 - sales volume and price.
- _____ 83. A comprehensive break-even analysis entails
- examining revenue-cost relationships and establishing sales forecasts.
 - analyzing marketing strategy.
 - the use of comparison pricing.
 - approximations of debits and credits.
- _____ 84. Within the framework of a break-even analysis, an examination of _____ is conducted to determine the quantity at which the product, with an assumed price, will generate enough revenue to start earning a profit.
- costs
 - revenues
 - sales forecasts
 - costs and revenue

- _____ 85. Markup pricing may be expressed in terms of a percentage of either the _____ or the cost.
- quantity
 - operating expenses
 - selling price
 - estimated expenses
- _____ 86. The Widget Company sells 1,000 widgets annually at a price of \$35 each. If the company's pricing policies adhere to a 40% markup of selling price, the *cost* of each widget is
- \$14.
 - \$21.
 - \$28.
 - \$32.
- _____ 87. Gomez is pricing his products at a lower than normal, long-range market price in order to gain more rapid market acceptance. He is using a _____ strategy.
- variable pricing
 - skimming price
 - penetration pricing
 - price lining
- _____ 88. Setting prices for products or services using a particular competitor as a model of reference is known as a
- variable pricing strategy.
 - flexible pricing strategy.
 - follow-the-leader pricing strategy.
 - price lining strategy.
- _____ 89. The major objective of a firm in granting credit is
- generating consumer goodwill.
 - reducing bad debt risk.
 - expanding sales.
 - promoting the business.
- _____ 90. Information Express is a privately owned and operated organization that collects credit information on business firms. After the organization analyzes and evaluates the data, it makes credit ratings available to client companies for a fee. Information Express is a
- credit collection agency.
 - trade-credit agency.
 - financial credit agency.
 - credit bureau.
- _____ 91. Which of the following statements is true of credit bureaus?
- They act as third-party underwriters of credit to companies which then offer this to customers.
 - They provide a likely scenario of future use/misuse of credit.
 - They profile members' credit experiences specifically with non-profit organizations.
 - They collect credit information and offer it only to member businesses.
- _____ 92. Slow-paying credit accounts
- almost always help to build goodwill with customers.
 - yield advantages from carry-over effects.
 - tie up the seller's working capital.
 - are rarely a problem for small businesses.

- _____ 93. All of the following are acceptable options available to entrepreneurs attempting to collect delinquent accounts receivable *except*
- written reminders.
 - personal contacts.
 - telephone calls to a customer's employer.
 - referrals to collection agencies or attorneys.
- _____ 94. One of the primary purposes of the federal Consumer Credit Protection Act is to
- require creditors to specify how finance charges are computed.
 - grant certain rights to credit applicants regarding credit reports.
 - inform consumers about all forms of credit available to them.
 - specify what information a customer's employer can release about him/her.
- _____ 95. Which of the following does *not* describe a method of determining promotional expenditures?
- Matching industry forecasts
 - Spending as much as the competition
 - What can be spared
 - What it will take to do the job
- _____ 96. The two major steps in preparing for a sales presentation are
- advertising and practicing.
 - prospecting and practicing.
 - publicity and prospecting.
 - exhibits and prospecting.
- _____ 97. Will Thompson is a salesperson for a small appliance store. In an attempt to locate potential new customers, he decides to mail a survey to residents in selected neighborhoods. Those individuals who return completed surveys will receive a phone call from Thompson about the store's products and current "deals." Thompson is gaining knowledge of potential customers through
- customer-initiated contacts.
 - marketer-initiated contacts.
 - impersonal referrals.
 - personal referrals.
- _____ 98. Which is the compensation plan best suited for salespersons in a small business?
- Straight salary plan
 - Strictly commissions-on-sales plan
 - Combination of salary and commissions, with the salary representing the larger portion
 - Combination of salary and commissions, with the commissions representing the larger portion
- _____ 99. Before meeting with media representatives, a small business manager should
- perform a statistical analysis of the market.
 - consult different banks for loan rates.
 - learn about the strengths and weaknesses of each advertising medium.
 - create the message.
- _____ 100. Which of the following is *not* one of the services ad agencies provide?
- Furnishing design and artwork
 - Evaluating the effectiveness of different advertising appeals
 - Analyzing the balance of a firm's marketing mix
 - Advising on sales promotions

- _____ 101. Outside sources that may assist in formulating and carrying out promotional programs include
- marketing coaches.
 - professional associations.
 - the advertising media.
 - trade representatives.
- _____ 102. Advertising via the Web is appealing because this medium
- has demonstrated that it is effective in attracting potential customers.
 - offers an intense one-way transfer of information.
 - is available 24 hours a day.
 - is a reliable way of getting a firm's message out.
- _____ 103. Internet advertising is already facing an obstacle because
- viewers are reluctant to respond to banner ad images that pass by so quickly.
 - a viewer can install ad-blocking software on his or her computer.
 - it lacks scale efficiencies, given that few companies are choosing to advertise on this medium.
 - of legislation that is intended to restrict use of the Internet.
- _____ 104. Which of the following is *not* one of the critical startup tasks involved in the preparation of the successful launch of a dot.com site?
- Creating and registering a site name
 - Building a user-friendly site
 - Promoting the firm's site
 - Identifying a target market
- _____ 105. Which of the following is one of the ways an online business can submit a Web site to search engines?
- Employing search engine submission hardware
 - By calling 1-800-ENGINES
 - Using a paid submission service
 - Requesting such services from the Small Business Administration
- _____ 106. Specialties are promotional tools that can
- create goodwill for the company.
 - prevent price competition.
 - allow customers to sample the product.
 - cast doubt on the products offered by competitors.
- _____ 107. The "lasting medium" is a term that refers to which of the following?
- Contests
 - Sampling
 - Specialties
 - Free merchandise
- _____ 108. One of the documented effects of increased economic freedom is
- stable demand for goods and services.
 - greater acceptance from other economically-free nations.
 - increased prosperity.
 - rising government approval ratings.
- _____ 109. When a small business owner is thinking of going global, he or she should first decide whether
- the firm has the necessary "deep pockets" to follow through.
 - domestic operations are capable of subsidizing overseas operations.
 - the firm has the technology necessary to get into the international game.
 - the company is up to the task.

- _____ 110. Tariffs are
- taxes charged on exported goods.
 - taxes charged on imported goods.
 - duties charged on exported goods.
 - duties charged on imported.
- _____ 111. The established motivations behind global expansion include all of the following, *except*
- promoting the independence of the enterprise.
 - gaining access to resources.
 - expanding markets.
 - cutting costs.
- _____ 112. It is becoming clear that international markets are demanding
- the same products that are distributed to other national markets.
 - differentiated products that satisfy their unique needs and interests.
 - direct access to products sold elsewhere in the world.
 - more expensive products and fewer inexpensive products.
- _____ 113. Long production runs at Bayshore Industries have steadily reduced its unit costs, indicating that it has benefited from
- experience curve efficiencies.
 - learning effects.
 - economies of scale.
 - economies of scope.
- _____ 114. Increasingly, small businesses are expanding internationally to
- obtain raw materials.
 - gain access to skilled labor.
 - create job opportunities for domestic employees.
 - take advantage of government incentives.
- _____ 115. The export strategy option involves
- the sale of goods from abroad in the home country.
 - the sale of products produced in the home country to customers in another country.
 - the purchase of the right to manufacture and sell a firm's product in overseas markets.
 - the authorized use of intellectual property.
- _____ 116. Importing can be described as the
- "flip side" of exporting.
 - sale of products produced in the home country to customers in another country.
 - purchase of the right to manufacture and sell a firm's product in overseas markets.
 - authorized use of intellectual property.
- _____ 117. With a foreign licensing strategy, the company purchasing the right to manufacture and sell a product in overseas markets is called the
- royalty receiver.
 - licensor.
 - licensee.
 - license initiator.

- _____ 118. Economic risk refers to the
- risk that a startup will not generate the performance necessary to stay in business long term.
 - potential for loss of capital in a business deal.
 - probability that a government will change business conditions and hinder firm performance.
 - chance that an entrepreneur will not be financially successful.
- _____ 119. When a small business forges an agreement with a bank that consents to honor a draft or other demand for payment after goods are delivered internationally, the firm receives a
- international invoice.
 - bill of lading.
 - letter of confirmation.
 - letter of credit.
- _____ 120. Peter Herring, a 32-year-old American, has decided to use set up an import/export business with friends in Thailand that he met in his MBA program. One good source of valuable information and advice about starting and maintaining the business would be the
- Small Business Administration.
 - Office of Export Trade.
 - International Export Board.
 - Foreign Service Office.
- _____ 121. Linda Semmes sets high standards and expects excellence from her employees. Her leadership style is typical of _____ leaders.
- authoritative
 - coercive
 - pacesetting
 - affiliative
- _____ 122. Workers act on their own and to make decisions about the processes they're involved with are considered to be
- empowered employees.
 - policy-capable subordinates.
 - work-team ready.
 - nascent managers.
- _____ 123. The use of written policies, budgets, and job descriptions is most closely associated with which of the following stages of growth?
- One-person operation
 - Player-coach
 - Intermediate supervision
 - Formal organization
- _____ 124. As his small business prospers and grows from Stage 1 to Stage 4, Carlos Perez realizes that he also must grow by increasing his
- doing skills.
 - advertising skills.
 - managing skills.
 - legal skills.

- _____ 125. A printing shop owner believes that his business is running rather haphazardly and wants to get it under control. The first step he should take is to
- increase inspection.
 - set standards.
 - take corrective action.
 - draw up a strategic plan.
- _____ 126. A budget is an example of a
- policy.
 - short-range plan.
 - strategic plan.
 - nonrecurring procedure.
- _____ 127. In a line-and-staff organization, which of the following is a line activity?
- Production
 - Human resources management
 - Accounting
 - Legal work
- _____ 128. In a line-and-staff organization, which of the following is a staff activity?
- Production
 - Warehousing
 - Receiving
 - Human resource management
- _____ 129. The number of subordinates reporting to one superior constitutes that manager's
- span of control.
 - informal organization.
 - organizational structure.
 - chain of command.
- _____ 130. A busy owner-manager is trying to cope with the problem of excessive time pressure that requires her to work 60 to 70 hours per week. She should realize that this work schedule is
- light, because 50 percent or more of all owner-managers work 80 hours or more per week.
 - fairly typical, because many owner-managers work this amount or more each week.
 - heavy, because more than one-half of all owner-managers work a normal 40 to 45 hour week.
 - unusually heavy, because most owner-entrepreneurs function as idea people, leaving the details to others and working only 20 to 30 hours per week on average.
- _____ 131. The consulting resources of universities are made available to small business firms by
- student consulting team programs.
 - SCORE.
 - business incubators.
 - management consultants.
- _____ 132. Small business service organizations that are patterned after the Agricultural Extension Service and are affiliated with universities are
- student consulting team programs.
 - Small Business Development Centers.
 - business incubators.
 - SCORE.

- _____ 133. The process of developing and engaging in mutually beneficial relationships with peers is
- networking.
 - politicking.
 - instrumental tying.
 - effective connecting.
- _____ 134. Tom Clancy is experiencing difficulty in recruiting competent technicians for his business. One way to increase the attractiveness of his small business is by using
- flexible work schedules.
 - job descriptions.
 - performance testing.
 - private employment agencies.
- _____ 135. Secondary and trade schools are a likely source of
- managers.
 - personnel to fill positions requiring no specific work experiences.
 - accountants.
 - high-potential employees.
- _____ 136. In seeking personnel for non-critical positions, small firms sometimes turn to
- temporary help agencies.
 - leasing companies.
 - attorneys.
 - headhunters.
- _____ 137. The owner of a small automobile garage has been advised to use an application form in evaluating applicants. This will be most useful in discovering
- arrest records.
 - general background information.
 - physical disabilities.
 - religious orientation.
- _____ 138. Karl Milgram is concerned that many employees who successfully passed their employment test later perform poorly on the job. He believes the employment test lacks
- applicability.
 - interpretability.
 - reliability.
 - validity.
- _____ 139. Karen Garcia is seeking references' comments on applicants for jobs with her business. The former employers and other parties she calls seem reluctant to do more than verify dates of employment. A probable reason for their reluctance is that
- records for former employees are filed away and not readily available.
 - the former employer may plan to recall the employee and wants to avoid losing her to another employer.
 - respondents may fear litigation by former employees who fail to get jobs they seek.
 - requests of this kind simply take too much time for large company personnel departments.
- _____ 140. The owner of a small sporting goods store wants to avoid hiring drug users. He checks with his attorney and finds that
- drug testing before hiring is legal.
 - drug usage is considered a disability and is not grounds for rejection.
 - no economical tests are available to check for drug usage.
 - the Americans with Disabilities Act of 1990 flatly prohibits drug testing for jobs in private businesses.

- _____ 141. Helen Garbo, owner of a travel agency, is concerned about the length of time needed for employees to get adjusted to the business and to become sure of their own roles in the business. She should first evaluate the firm's
- on-the-job training.
 - management development efforts.
 - quality training program.
 - orientation sessions.
- _____ 142. Which of the following plays the central role in attracting and motivating employees?
- Flexible work duties
 - Job sharing arrangements
 - Compensation
 - Vacation benefits
- _____ 143. Fringe benefits include
- hourly wages and overtime pay.
 - commissions and bonuses.
 - health insurance.
 - profit-sharing plans.
- _____ 144. The owner of a video rental business wishes to allow employees to own part of the business. She can do this by using
- a profit plan.
 - a Keogh plan.
 - an ESOP (employee stock ownership plan.)
 - a fully vested pension plan.
- _____ 145. A small electrical contractor with nine employees hears that they would like to join a union. This contractor realizes that the firm
- must follow the bargaining pattern set by large contractors.
 - can lawfully refuse to negotiate.
 - must negotiate if a majority of employees decide to unionize.
 - must deduct union dues from employees' paychecks.
- _____ 146. The owner of a growing business wonders when to hire a human resource manager. The most likely time would be when
- labor turnover rate is low.
 - total employment exceeds 100.
 - employees are not unionized.
 - morale is high.
- _____ 147. A restaurant owner wants to analyze the competition and adopt any competitive practices that create superior quality. To accomplish this, the owner should use
- control charts.
 - attribute inspection.
 - benchmarking.
 - ISO 9000.
- _____ 148. Ben is a member of a small group of employees who meet periodically to discuss quality problems. He is a member of a(n) _____.
- control group
 - quality achievement forum
 - quality circle
 - focus group

- ____ 149. Quality management is applicable to
- manufacturing but not service businesses.
 - service but not manufacturing businesses.
 - both service and manufacturing businesses.
 - neither service nor manufacturing businesses.
- ____ 150. A control chart is used as part of a
- statistical process control plan.
 - 100 percent inspection plan.
 - traditional inspection plan.
 - reengineering plan.
- ____ 151. In a printing plant's production process, a printed book constitutes
- an input.
 - a throughput.
 - an output.
 - a process.
- ____ 152. Manufacturing operations are generally characterized by
- little customer contact and intangible products.
 - measurable productivity and intangible products.
 - measurable productivity and little customer contact.
 - tangible products and measurable productivity.
- ____ 153. Job shops are most closely related to
- short production runs.
 - long production runs.
 - special-purpose equipment.
 - standardized products.
- ____ 154. A forklift is an example of a
- general-purpose machine.
 - operationally-induced machine.
 - highly specialized equipment.
 - short-lived asset.
- ____ 155. Resource Recovery Systems, a waste-recycling business, stresses maintenance of equipment in order to
- avoid interruptions in the company's recycling operations.
 - meet OSHA requirements.
 - reduce skyrocketing costs.
 - utilize otherwise idle labor.
- ____ 156. Mark is more efficient in transforming his inputs into outputs than Joe. Mark's ____ is higher than Joe's.
- input/output production
 - in/out transformation
 - quantity of production
 - productivity
- ____ 157. The owner of an automotive service center wishes to improve the business through reengineering. To do so, the owner should concentrate on the
- basic processes of the business.
 - laws of motion economy.
 - use of time and motion study.
 - application of statistical process control.

- _____ 158. The laws of motion economy are useful to managers in improving
- under-used facilities.
 - off-schedule arrivals.
 - repetitive operations.
 - variations in shipping departures.
- _____ 159. Adoption of the just-in-time inventory system requires
- the elimination of raw materials wherever possible.
 - an emphasis on work in progress.
 - a reduction in the firm's finished goods.
 - close cooperation with suppliers.
- _____ 160. Risk, as stated in the textbook, is
- a chance all entrepreneurs take.
 - a probability that adverse conditions will result.
 - a condition in which there is a possibility that an adverse deviation from a desired outcome will occur.
 - usually avoidable.
- _____ 161. Harold's ownership of a moving van for use in his business represents which form of risk?
- Uninsurable risk
 - Pure risk
 - Insurable risk
 - Market risk
- _____ 162. Which of the following is one of the three groups into which risk can be classified?
- Substantive
 - Emerging
 - Critical
 - Reportable
- _____ 163. Damage to a building by fire is an example of
- a benign neglect loss.
 - a direct loss.
 - a tort-based liability claim.
 - a depreciated cash value loss.
- _____ 164. Theft due to a burglary would be classified as a
- real property loss.
 - personal property loss.
 - consumer loss.
 - direct loss.
- _____ 165. Compensatory damages include _____ damages.
- economic
 - breach
 - tort
 - punitive
- _____ 166. Most entrepreneurs do not realize the value of which of the following types of insurance?
- Fire insurance
 - Business interruption insurance
 - Property insurance
 - Theft insurance

- ____ 167. Business interruption insurance covers
- lost income.
 - shoplifting.
 - debts to suppliers.
 - defective products.
- ____ 168. A customer's slip and fall injury would be covered by
- general liability insurance.
 - surety bonds.
 - business interruption insurance.
 - commercial property coverage.
- ____ 169. General liability insurance covers
- business interruption.
 - injury to customers caused by a firm's product.
 - injury to employees.
 - explosion.
- ____ 170. Most small business advisors recommend ____ life insurance for key-person policies.
- whole
 - universal
 - term
 - blanket coverage
- ____ 171. Aloft Aircraft Company can purchase ____ life insurance on its chief aircraft designer as an inexpensive way to cover its losses should something untoward happen to that key person.
- whole
 - universal
 - term
 - blanket coverage
- ____ 172. Regarding partners in a small business, statistics reveal that the risk of disability is ____ the risk of death.
- greater than
 - less than
 - about the same as
 - correlated with
- ____ 173. Which of the following is *not* directly involved in a firm's management of its working capital?
- Inventory
 - Fixed assets
 - Accounts receivable
 - Accounts payable
- ____ 174. Management of working capital focuses attention on
- cash, accounts receivable, inventory, and accounts payable.
 - cash, accounts receivable, and fixed assets.
 - cash, fixed assets, and inventory.
 - accounts receivable, accounts payable, and long-term investments.
- ____ 175. Cash deposits during a month less checks written during the same period equal
- net cash flow.
 - net profit.
 - operating profit.
 - net working capital.

- _____ 176. Accounts payable _____ cash available for the firm.
- increase the amount of
 - reduce the amount of
 - have no effect on the
 - represent all of the
- _____ 177. Wilbur is attempting to raise some quick cash for his business by selling its accounts receivable to a finance company, this is called
- selling short.
 - factoring.
 - mortgaging the future.
 - pledging receivables.
- _____ 178. Assuming that cash is available, payment for an account payable with terms of 3/10, net 30 should be made on day
- 3.
 - 10.
 - 13.
 - 30.
- _____ 179. Which of the following questions do all types of capital budgeting techniques try to answer?
- Is the investment too expensive?
 - Do the future benefits from the investment exceed the cost of making the investment?
 - Will the investment's time requirements fit the needs of the company?
 - Will the firm's cash flows be adequate to pay for the investment?
- _____ 180. The measurement techniques mentioned in the textbook include all of the following *except*
- accounting return on investment.
 - payback period.
 - discounted cash flow technique.
 - the current accounts approach.
- _____ 181. Average annual after-tax profits per year divided by the average book value of the investment equals
- average investment capability.
 - average investment outlay.
 - accounting return on investment.
 - payback period.
- _____ 182. In practice, a minimum acceptable rate of return on investment is usually based on
- industry average.
 - outside investors' stated requirements.
 - auditors' stated requirements.
 - past experience.
- _____ 183. The payback period and accounting return on investment techniques
- recognize the economic life of a project.
 - ignore the time value of money.
 - consider only the return for the first year of the investment.
 - are more difficult to use than the net present value method.

- _____ 184. If the net present value of a proposed investment is negative,
- the cost of the investment is less than the present value of the future cash flows.
 - the investment earns the required rate of return.
 - the present value of the future cash flows would be unaffected by the proposed investment.
 - the firm should not make the investment, since the present value of the future cash flows is less than the cost of the investment.
- _____ 185. In making capital budgeting decisions, small business owners tend to rely to a significant extent on
- intuition.
 - government assessment.
 - economic analysis.
 - informed opinion.
- _____ 186. Most small firms need to have financial statements generated at least
- weekly.
 - monthly.
 - quarterly.
 - annually.
- _____ 187. An analysis of which of the following records is important in maintaining good customer relations?
- Cash records
 - Fixed asset records
 - Accounts receivable records
 - Accounts payable records
- _____ 188. Which of the following shows the original cost of each asset and depreciation taken to date, along with other information such as the condition of the asset?
- Accounts payable records
 - Accounts receivable records
 - Cash records
 - Fixed asset records
- _____ 189. The accounting option a business chooses for financial reporting must
- be the same as the option chosen for tax accounting.
 - meet legal requirements.
 - be double entry in order to create the necessary financial statements.
 - be computerized rather than manual.
- _____ 190. The major distinction between the cash method and the accrual method of accounting is that the
- cash method is easier to use.
 - cash method matches revenue and expenses better.
 - point at which a firm reports revenue and expenses is different.
 - cash method involves less record keeping.
- _____ 191. The problem caused by Allan Lichter's graphics firm's lack of internal financial controls could have been avoided if the accounting clerk in charge of accounts receivable had not also been in charge of
- accounts payable.
 - the company's lock box.
 - company's payroll account.
 - petty cash.

- ____ 192. To determine a firm's ability to convert accounts receivable into cash on a timely basis, you divide
- accounts receivable by daily credit sales.
 - cost of goods sold by accounts receivable.
 - accounts receivable by average daily cash balance.
 - accounts receivable by daily cash sales.
- ____ 193. The ____ is a function of how efficiently management is using the firm's assets to generate sales.
- total asset turnover
 - acid-test ratio
 - fixed asset turnover
 - current ratio
- ____ 194. The ____ indicates the extent to which plant and equipment are being utilized.
- acid-test ratio
 - fixed asset turnover ratio
 - current ratio
 - average collection period
- ____ 195. The ____ is used to evaluate a firm's financial leverage.
- debt ratio
 - acid-test ratio
 - current ratio
 - investment ratio
- ____ 196. The use of debt can
- increase a firm's return on equity.
 - reduce a firm's risk.
 - improve a firm's inventory turnover ratio.
 - enhance market response to a firm's performance.
- ____ 197. The ____ measures the rate of return on stockholders' investments in the business.
- return on total assets
 - profit margin on sales
 - return on equity
 - fixed asset turnover
- ____ 198. The turnover ratios for accounts receivable and inventories
- should both be included in the financial analysis of a firm.
 - are measures of very different things.
 - often lead to very different conclusions about the firm.
 - represent different ways to measure the same thing.