Multiple Choice

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

1. One of the documented effects of increased economic freedom is
   a. stable demand for goods and services.
   b. greater acceptance from other economically-free nations.
   c. increased prosperity.
   d. rising government approval ratings.

2. When a small firm is launched with cross-border activities in mind, some would say the business
   a. is internationally diverse.
   b. has been "born global."
   c. is sure to succeed.
   d. has no choice but to move forward with plans for internationalization.

3. Salvatore intended from the start that his small pasta firm would sell its products in overseas market, some
   would say the business
   a. was intentionally internationally diverse.
   b. was sure to succeed.
   c. was "born global."
   d. had no choice but to move forward with plans for internationalization.

4. One of the reasons that entrepreneurs today are focusing more on international business is that
   a. global communications are now possible.
   b. they are likely to have experience with operations in foreign nations.
   c. technologies today are sophisticated, expensive to develop, and quickly replaced.
   d. global involvement brings a dimension of prestige to the firm's reputation.

5. Because technologies are becoming increasingly sophisticated, expensive, and short-lived,
   a. it is more important than ever to recover R&D costs quickly by expanding the market globally.
   b. entrepreneurs struggle to compete in high-end technologies used in fast-paced markets.
   c. only large corporations should attempt to compete in cutting-edge, high-tech industries.
   d. the pace of innovation has started to show signs of deceleration.

6. When a small business owner is thinking of going global, he or she should first decide whether
   a. the firm has the necessary "deep pockets" to follow through.
   b. domestic operations are capable of subsidizing overseas operations.
   c. the firm has the technology necessary to get into the international game.
   d. the company is up to the task.

7. Tariffs are
   a. taxes charged on exported goods.
   b. taxes charged on imported goods.
   c. duties charged on exported goods.
   d. duties charged on imported.

8. Trade integrations such as the North American Free Trade Agreement and the European Union are established to
   a. facilitate social integration of disparate countries.
   b. reduce or eliminate tariffs and trade restrictions.
   c. protect trade relationships with non-member nations.
   d. satisfy the demands of organized labor.
9. The established motivations behind global expansion include all of the following, except
   a. promoting the independence of the enterprise.
   b. gaining access to resources.
   c. expanding markets.
   d. cutting costs.

10. Which of the following is one of the emerging motivations driving global expansion?
   a. Expanding the market
   b. Creating a satisfying way of life
   c. Making the most of experience
   d. Reducing costs

11. Seeking to extend the product life cycle by expanding into international markets has become a less effective
    strategy, in part, because
    a. customer preferences have become more similar around the world.
    b. international delivery systems cannot handle the variety of company distribution systems.
    c. income levels in many countries are insufficient to support this strategy.
    d. product life cycles have already been growing over the years.

12. 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
    a. international delivery systems cannot handle the variety of company distribution systems.
    b. of the increasing similarity of customer preferences around the world.
    c. income levels in many countries are insufficient to support this strategy.
    d. product life cycles have already been growing over the years.

13. When it comes to expanding the market, an emerging motivation for going global is to
    a. take advantage of unique features of the local market.
    b. find buyers for highly specialized products.
    c. obtain tariff reductions.
    d. extend the product life cycle.

14. It is becoming clear that international markets are demanding
    a. the same products that are distributed to other national markets.
    b. differentiated products that satisfy their unique needs and interests.
    c. direct access to products sold elsewhere in the world.
    d. more expensive products and fewer inexpensive products.

15. When it comes to gaining access to resources, a traditional motivation for going global has been to
    a. take advantage of unique features of the local market.
    b. find raw materials.
    c. change the shape of the product life cycle.
    d. serve the local community through the business.

16. Economies of scale refers to
    a. learning effects from manufacturing experience.
    b. the incremental drop in costs that results from the doubling of output.
    c. efficiencies that are most common in low-tech operations.
    d. gains from the spreading of investment across more units of production.

17. Crumpton Industries reduced its unit costs when it expanded its productive capacity, indicating that it has
    benefited from
    a. experience curve efficiencies.
    b. learning effects.
    c. economies of scale.
    d. economies of scope.
18. Long production runs at Bayshore Industries have steadily reduced its unit costs, indicating that it has benefited from
   a. experience curve efficiencies.
   b. learning effects.
   c. economies of scale.
   d. economies of scope.

19. Newplant has the most experienced production employees and the lowest unit costs in its industry, indicating that it had benefited from
   a. experience curve efficiencies.
   b. learning effects.
   c. economies of scale.
   d. economies of scope.

20. Prior to the 1990s, startups considered going global
   a. only after they had established a solid position in the domestic market.
   b. early in the firm life cycle.
   c. from the beginning because market growth in the United States had stagnated.
   d. when they recognized the wealth of support the government provided to expand abroad.

21. Recent research has shown that globalizing early in a company's life tends to lead to
   a. lower levels of firm risk.
   b. a boost to the firm's reputation.
   c. increased sales growth.
   d. financial disaster.

22. 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
   a. gain access to essential raw materials.
   b. capitalize on special features of location.
   c. expand its supply chain.
   d. extend the life cycle of its products.

23. Increasingly, small businesses are expanding internationally to
   a. obtain raw materials.
   b. gain access to skilled labor.
   c. create job opportunities for domestic employees.
   d. take advantage of government incentives.

24. Considering the nature of its products, a cement fabricator that specializes in the manufacture of bird baths is likely to go global to
   a. gain access to critical raw materials.
   b. capitalize on special features of location.
   c. obtain specialized human resources.
   d. cut costs.

25. Regional free trade areas have been formed in order to
   a. duplicate government regulatory systems.
   b. reduce tariffs to increase trade.
   c. coordinate the currencies of included countries.
   d. accommodate the demands of organized labor.
26. The intent of the North American Free Trade Agreement (NAFTA) was to
   a. duplicate government regulatory systems.
   b. reduce tariffs to increase trade.
   c. coordinate the currencies of included countries.
   d. accommodate the demands of organized labor.

27. If a small business sets up a design studio in Milan, Italy to create its line of specialty apparel, it is going
global to
   a. expand its market.
   b. take advantage of special features of location.
   c. seek protection for its design patents.
   d. obtain critical raw materials.

28. When it comes to cutting costs, an emerging motivation for going global is to
   a. obtain tariff reductions.
   b. find raw materials.
   c. follow large client firms that locate abroad.
   d. find suppliers offering highly specialized products.

29. For most small businesses, the primary motivation for going global is to
   a. develop new market opportunities.
   b. reduce the costs of doing business.
   c. gain access to resources that are important to the firm's operations.
   d. capitalize on special features of location.

30. Part of the appeal of forming a regional trade area is that companies can then
   a. gain access to more employees.
   b. benefit from locational features unrelated to costs.
   c. draw upon the advantages of a "fortress mentality."
   d. acquire the potential to expand into international markets.

31. For small businesses, the ultimate incentive to go global is the following:
   a. Purely domestic firms are less likely to stay in business over the long run.
   b. Government programs are available to ensure success of global firms, but not domestic
      ones.
   c. If you fail to seize an international market opportunity, someone else will.
   d. Research shows that global firms experience more consistent gains in profitability.

32. If an entrepreneur has decided to go global, the next step is to
   a. begin to hire employees with international experience.
   b. spend some time estimating the market potential of various countries.
   c. join a trade mission.
   d. plan a strategy that takes into account the potential of the firm.

33. The export strategy option involves
   a. the sale of goods from abroad in the home country.
   b. the sale of products produced in the home country to customers in another country.
   c. the purchase of the right to manufacture and sell a firm's product in overseas markets.
   d. the authorized use of intellectual property.

34. Importing can be described as the
   a. "flip side" of exporting.
   b. sale of products produced in the home country to customers in another country.
   c. purchase of the right to manufacture and sell a firm's product in overseas markets.
   d. authorized use of intellectual property.
35. With a foreign licensing strategy, the company purchasing the right to manufacture and sell a product in overseas markets is called the
   a. royalty receiver.
   b. licensor.
   c. licensee.
   d. license initiator.

36. With a foreign licensing strategy, the company granting the right to manufacture and sell a product in overseas markets is called the
   a. royalty receiver.
   b. licensor.
   c. licensee.
   d. license initiator.

37. International franchising is a variation on the theme of
   a. exporting.
   b. importing.
   c. foreign licensing.
   d. international strategic alliances.

38. John Berryhill is interested in joining with a large corporation in a cooperative venture to share risks and pool resources for his small auto parts manufacturing business, so the strategy option he is exploring could best be described as
   a. an international strategic alliance.
   b. exporting.
   c. importing.
   d. international cost shifting.

39. Forming from scratch a wholly owned subsidiary in another country is what can be most accurately described as
   a. a greenfield venture.
   b. a cross-border acquisition.
   c. an international transplant.
   d. a duplication strategy.

40. Crossborder Manufacturing USA has developed a new and wholly-owned subsidiary in another country that is most accurately described as
   a. a greenfield venture.
   b. a cross-border acquisition.
   c. an international transplant.
   d. a duplication strategy.

41. From a company-owned plant in Pakistan, Howard Eden manufactures specialty apparel items for his small business, Garments of Eden. Because of overseas operations of the U.S. military in the region, Eden fears that his plant may be sabotaged or that the local government may attempt to take over the facility. Specifically, his fears are about
   a. exchange rate risk.
   b. economic risk.
   c. societal risk.
   d. political risk.
42. Economic risk refers to the
   a. risk that a startup will not generate the performance necessary to stay in business long
      term.
   b. potential for loss of capital in a business deal.
   c. probability that a government will change business conditions and hinder firm
      performance.
   d. chance that an entrepreneur will not be financially successful.

43. When the exchange rate for a currency rises relative to that of another country, the rising currency
   a. has decreased in value relative to the other currency.
   b. has increased in value relative to the other currency.
   c. has been devalued by its government.
   d. reflects increased political risk in its home country.

44. While not always true for small firms, large multinationals can deal with currency fluctuations by
   a. using forward contracts and foreign-currency options.
   b. locating all their plants in the country that offers the most advantageous exchange
      position.
   c. limiting sales in each country market to reduce exposure to any one currency.
   d. following the advice of the international sales manager.

45. For the small business that wants to go global, one of the activities that is most fundamental to success abroad
   is
   a. avoiding rigid planning that will commit the firm's resources to a single plan of action.
   b. being sure to tap government programs that provide an incentive for international
      expansion.
   c. finding international markets that fit the company's unique potentials.
   d. figuring out which of the firm's competitors is capable of copying its strategy.

46. When an entrepreneur joins an organized trip designed to introduce the company to interested international
   customers or potential strategic alliance partners, he/she has participated in a
   a. State Department initiative.
   b. trade mission.
   c. economic freedom venture.
   d. "go global" program.

47. Perhaps the greatest barrier to international expansion is
   a. labor limitations.
   b. financing.
   c. trade restrictions.
   d. a shortage of qualified trade intermediaries.

48. 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
   a. international invoice.
   b. bill of lading.
   c. letter of confirmation.
   d. letter of credit.

49. Once a product has been shipped internationally and the title has been transferred, the exporter receives what
   is called a
   a. international invoice.
   b. bill of lading.
   c. letter of confirmation.
   d. letter of credit.
50. 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
a. Small Business Administration.
b. Office of Export Trade.
c. International Export Board.
d. Foreign Service Office.

51. The number one challenge in a growing business according to Joshua Schechter, founder of Online Business Services, is
a. overcoming inadequate resources.
b. attracting management talent.
c. transferring your entrepreneurial spirit.
d. growth that creates a leadership vacuum.

52. Barry Ramirez demands that his employees immediately comply with his orders. His leadership style is typical of ____ leaders.
   a. authoritative
   b. coercive
   c. pacesetting
   d. affiliative

53. Linda Semmes sets high standards and expects excellence from her employees. Her leadership style is typical of ____ leaders.
   a. authoritative
   b. coercive
   c. pacesetting
   d. affiliative

54. Leadership in small firms is more ____ in comparison to the leadership in large corporations.
   a. haphazard
   b. impersonal
   c. personalized
   d. more skillful

55. Harry Ramirez wishes to create greater enthusiasm among employees in his industrial distribution business. A widely used approach that he might take is
a. empowerment of employees.
b. formulating of policies.
c. establishment of control standards.
d. adoption of budgets.

56. Workers act on their own and to make decisions about the processes they’re involved with are considered to be
a. empowered employees.
b. policy-capable subordinates.
c. work-team ready.
d. nascent managers.

57. Marcia Mendez, who runs a drapery business, has groups of employees who work in production and in installation. If she decides to use work teams as part of her leadership approach, she must increase
a. supervision.
b. compensation.
c. independence.
d. quality.
58. If Fran Fishburn, who runs a wholesale flower business, successfully creates properly functioning self-managed teams among her employees, her supervisors
   a. will feel threatened by her leadership approach to teams.
   b. will likely become fewer in number.
   c. will likely attempt to delegate mundane tasks to the teams.
   d. will need to maintain close supervision.

59. 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
   a. the employees pretty well understand where the business is going.
   b. a chain of command is unnecessary.
   c. personnel policies would be overly restrictive.
   d. marketing research is part of everyone's job.

60. The founder of a firm is least likely to be described as a
   a. creative person.
   b. good manager.
   c. risk taker.
   d. courageous person.

61. The founder of a firm is most likely to be described as a
   a. creative person.
   b. good manager.
   c. low risk taker.
   d. good organization member.

62. Less-than-professional management behavior on the part of an entrepreneur can
   a. provide a spark to the business because of the spontaneity it introduces.
   b. be interpreted as evidence of creativity.
   c. act as a drag on business growth.
   d. normally provide a competitive edge to the firm.

63. A bank loan officer believes that a particular small business loan applicant is a typical entrepreneur and, therefore, is
   a. skilled in general management.
   b. lacking in managerial expertise.
   c. strongly oriented toward careful planning.
   d. focused on financial management.

64. A small business operations manager is confronted with a quality problem. A typical small business handicap that will hamper his efforts to solve the problem is a lack of
   a. time.
   b. chain of command.
   c. accounting data.
   d. specialized staff assistance.

65. A corporate marketing executive is moving to a managerial position in a small firm, where she may logically expect to find
   a. adequate financial resources and adequate staff.
   b. inadequate financial resources and inadequate staff.
   c. adequate financial resources and inadequate staff.
   d. inadequate financial resources and adequate staff.
66. Which of the following is **not** a constraint on management in small firms?
   a. Bureaucratic red tape
   b. Lack of money
   c. Limited managerial staff
   d. Lack of marketing research talent

67. Which of the following would least concern a corporate manager considering joining a small firm?
   a. Lack of bureaucratic red tape
   b. Lack of money
   c. Limited managerial staff
   d. Lack of marketing research talent

68. Stage 1 in the growth of a business is characterized by
   a. entrepreneur as player-coach.
   b. multilayered organization.
   c. hands-off management practices.
   d. one-person operation.

69. Mario has just begun to personally supervise employees, his firm is in the stage of growth called
   a. one-person operation.
   b. intermediate supervision.
   c. player-coach.
   d. formal organization.

70. Susan Keller has seen her retail shop grow to the point that she has designated supervisors for the office and two selling areas. Her shop's stage of growth is called
   a. one-person operation.
   b. player-coach.
   c. intermediate supervision.
   d. formal organization.

71. The use of written policies, budgets, and job descriptions is most closely associated with which of the following stages of growth?
   a. One-person operation
   b. Player-coach
   c. Intermediate supervision
   d. Formal organization

72. A new business has been launched with four employees who work for the entrepreneur-owner. As the owner contemplates growth in sales and personnel, she realizes that the next step of growth will involve the special problem of
   a. intermediate supervision.
   b. formal policies.
   c. direct supervision.
   d. quality management.

73. As his small business prospers and grows from Stage 1 to Stage 4, Carlos Perez realizes that he also must grow by increasing his
   a. doing skills.
   b. advertising skills.
   c. managing skills.
   d. legal skills.
74. Controlling is the managerial function that involves the manager's
   a. thinking through issues confronting a firm and developing a plan to increase productivity.
   b. keeping track of performance and investigating when results are out of line.
   c. developing an atmosphere of cooperation and teamwork.
   d. keeping an optimum number of people under supervision.

75. 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
   a. increase inspection.
   b. set standards.
   c. take corrective action.
   d. draw up a strategic plan.

76. To improve control of operations, a shop owner wishes to measure performance at the process stage. The owner might
   a. inspect raw materials.
   b. use quality control.
   c. set sales quotas.
   d. improve personnel-selection methods.

77. The fact that the daily "brush fires" of doing business tend to push aside planning until it is forgotten is the message of
   a. Parkinson's law of planning.
   b. the Peter principle.
   c. the tyranny of the urgent.
   d. Murphy's law of strategic action.

78. A budget is an example of a
   a. policy.
   b. short-range plan.
   c. strategic plan.
   d. nonrecurring procedure.

79. A monthly production schedule is an example of a
   a. strategic plan.
   b. short-range plan.
   c. tactical plan.
   d. operational plan.

80. The manager of a rapidly growing small business is unsure about where the business will be in 3 to 5 years. She should focus on
   a. business policies.
   b. procedures.
   c. budgets.
   d. strategic plans.

81. The best feature of an organizational structure that evolves naturally is its
   a. economy.
   b. clarity.
   c. practicality.
   d. use of staff positions.
82. In a line organization, each employee has
   a. one supervisor.
   b. two supervisors.
   c. three supervisors.
   d. an indefinite number of supervisors.

83. For small businesses, the most likely form of organizational structure is
   a. functional.
   b. line.
   c. line-and-staff.
   d. committee.

84. Frequent and flagrant disregard of the chain of command undermines the position of the
   a. founder.
   b. operative employee.
   c. staff specialist.
   d. bypassed manager.

85. In a line-and-staff organization, which of the following is a line activity?
   a. Production
   b. Human resources management
   c. Accounting
   d. Legal work

86. In a line-and-staff organization, which of the following is a staff activity?
   a. Production
   b. Warehousing
   c. Receiving
   d. Human resource management

87. Faced with the challenge of recruiting, selecting, and compensating a growing number of employees, a small business owner is planning to hire a human resource manager. This owner is apparently going to establish
   a. an informal organization.
   b. a line-and-staff organization.
   c. a Stage 2 organization.
   d. a line organization.

88. The number of subordinates reporting to one superior constitutes that manager's
   a. span of control.
   b. informal organization.
   c. organizational structure.
   d. chain of command.

89. Which of the following refers to the fact that subordinates are to report to only one superior?
   a. span of control
   b. informal organization
   c. formal organization
   d. chain of command
90. 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
   a. light, because 50 percent or more of all owner-managers work 80 hours or more per week.
   b. fairly typical, because many owner-managers work this amount or more each week.
   c. heavy, because more than one-half of all owner-managers work a normal 40 to 45 hour week.
   d. 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.

91. The first step in planning and improving one's use of time should be
   a. listing long-run objectives.
   b. recording time spent on various activities during the day.
   c. listing projects that need attention.
   d. assigning priorities to unfinished tasks.

92. A survey of time usage has been recommended to a small business owner by a management consultant. This will provide the owner with a basis for improving the business by
   a. classifying time spent according to functional areas of the business.
   b. avoiding procrastination.
   c. focusing attention on the most crucial tasks.
   d. minimizing use of meetings.

93. Organizations that provide both space and management services to new businesses are
   a. almost always funded solely by the government.
   b. usually organized by Small Business Development Centers.
   c. referred to as business incubators.
   d. often put together by management consultants to create consulting opportunities.

94. Shirley Lessman is planning to launch a business and has been encouraged to start in a business incubator. This will give her access to
   a. bank loans.
   b. free rent.
   c. prepaid insurance.
   d. management counsel.

95. The consulting resources of universities are made available to small business firms by
   a. student consulting team programs.
   b. SCORE.
   c. business incubators.
   d. management consultants.

96. SCORE refers to
   a. the grade assigned to a small firm by the SBA.
   b. the management knowledge possessed by an entrepreneur.
   c. a group of retired executives who act as consultants to small firms.
   d. an alliance of small firms for the purpose of bidding on government contracts.

97. Small business service organizations that are patterned after the Agricultural Extension Service and are affiliated with universities are
   a. student consulting team programs.
   b. Small Business Development Centers.
   c. business incubators.
   d. SCORE.
98. As a farmer, Larry Rogers received assistance from the U.S. Agricultural Extension Service. Having sold the farm, he is planning to start a farm supply store and has been told that the federal government provides comparable help to small businesses through
   a. Small Business Development Centers (SBDCs).
   b. the Service Corps of Retired Executives (SCORE).
   c. sponsorship of student consulting team projects.
   d. New Business Incubators (NBIs).

99. Entrepreneurs can get management assistance from peers through
   a. outside consultants.
   b. SCORE advisors.
   c. volunteer work in the community.
   d. networking.

100. The process of developing and engaging in mutually beneficial relationships with peers is
    a. networking.
    b. politicking.
    c. instrumental tying.
    d. effective connecting.

101. In many small businesses, the importance of people shows up in the direct relationship between the attitude of its salespeople and
    a. inventory growth.
    b. sales revenue.
    c. gross profits.
    d. growth of the product line.

102. In his study of good-to-great companies, Jim Collins found that the great companies first
    a. “got the bus out of the barn.”
    b. “took the bus to the right mechanics.”
    c. “got the right people on the bus.”
    d. “got the bus in high gear early on.”

103. 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
    a. flexible work schedules.
    b. job descriptions.
    c. performance testing.
    d. private employment agencies.

104. A small business owner wishes to persuade a highly qualified applicant (a business school graduate) to consider a position with his firm carefully, even though the applicant has also had offers from large corporations. The owner should most strongly emphasize the
    a. family atmosphere.
    b. retirement program.
    c. potential for greater freedom of personnel to structure their job duties.
    d. long history of the firm.

105. Small firms compete with large firms for qualified personnel, but they have several potential advantages over large firms in attracting personnel, including which of the following?
    a. Recognizing individual contributions
    b. Offering standardized work scheduling as a possible lure
    c. Allowing any employee to influence the overall direction of the firm
    d. Providing greater bonuses
106. If qualified walk-ins cannot be hired immediately, their applications should be
   a. destroyed.
   b. sent to other firms.
   c. kept on file.
   d. turned over to a private employment agency.

107. Secondary and trade schools are a likely source of
   a. managers.
   b. personnel to fill positions requiring no specific work experiences.
   c. accountants.
   d. high-potential employees.

108. An employer who hires an employee through a public employment office pays the employment office a fee of
   a. nothing—this is a free service.
   b. one month's salary.
   c. one-tenth of the employee's yearly salary.
   d. $250, the standard amount.

109. In seeking personnel for key positions, small firms sometimes turn to recruiting specialists called
   a. temporary help agencies.
   b. leasing companies.
   c. attorneys.
   d. headhunters.

110. In seeking personnel for non-critical positions, small firms sometimes turn to
   a. temporary help agencies.
   b. leasing companies.
   c. attorneys.
   d. headhunters.

111. To obtain a replacement for an employee taking short-term leave under provisions of the Family Leave Act, an employer might most appropriately use
   a. public employment agencies.
   b. employee referrals.
   c. help-wanted advertising.
   d. temporary help agencies.

112. Susan Williams wants to know the various tasks to be performed by a new employee before she looks for
    applicants. She should first
    a. examine production data for current employees.
    b. prepare a job description.
    c. consult the United States Employment Service.
    d. hire a temporary employee.

113. Which of the following is a legal basis for selecting employees?
    a. Gender
    b. Age
    c. Education
    d. Disabilities

114. 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
    a. arrest records.
    b. general background information.
    c. physical disabilities.
    d. religious orientation.
During an interview, an employer
a. can evaluate the appearance, job knowledge, intelligence, and personality of the applicant.
b. can judge an applicant without any further research.
c. should do most of the talking.
d. should find out whether a young woman plans to stay home with her children when they are born.

Which of the following is not a recommended way to evaluate applicants for a position?

a. Have them fill out an application form
b. Conduct an interview
c. Check references
d. Hire a private investigator to follow the applicant and observe his or her behavior

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
a. applicability.
b. interpretability.
c. reliability.
d. validity.

The Americans with Disabilities Act requires employers to make _____ adaptations to facilitate the employment of individuals protected by the act.

a. specific
b. minimal
c. reasonable
d. verifiable

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
a. records for former employees are filed away and not readily available.
b. the former employer may plan to recall the employee and wants to avoid losing her to another employer.
c. respondents may fear litigation by former employees who fail to get jobs they seek.
d. requests of this kind simply take too much time for large company personnel departments.

The owner of a small sporting goods store wants to avoid hiring drug users. He checks with his attorney and finds that
a. drug testing before hiring is legal.
b. drug usage is considered a disability and is not grounds for rejection.
c. no economical tests are available to check for drug usage.
d. the Americans with Disabilities Act of 1990 flatly prohibits drug testing for jobs in private businesses.

Orientation applies most specifically to training given
a. during the employment review.
b. after selection, but prior to reporting for work.
c. during the first two or three days on the job.
d. during the first year of employment.
____ 122. New employees benefit most from orientation when it is given
   a. during the employment review.
   b. after selection, but prior to reporting for work.
   c. during the first two or three days on the job.
   d. during the first year of employment.

____ 123. Explaining company procedures and company policies should be part of
   a. initial or "basic" training.
   b. supervisory training.
   c. orientation.
   d. job instruction training.

____ 124. 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
   a. on-the-job training.
   b. management development efforts.
   c. quality training program.
   d. orientation sessions.

____ 125. A systematic step-by-step method for on-the-job training of non-managerial employees is known as
   a. On-the-Job Training.
   b. Employee Development Training.
   c. Job Instruction Training.
   d. Intensive Job Orientation.

____ 126. The owner of an industrial distribution company has attended a seminar on quality management and is
   determined to improve quality performance. This owner should recognize which of the following about
   training employees in quality?
   a. Quality training can teach employees about the importance of quality and ways to
      produce high-quality work.
   b. Direct supervisory one-on-one instruction is the only training procedure that shows
      consistent results.
   c. Quality training gradually raises quality consciousness but must be pursued for two or
      three years before significant improvements can be detected.
   d. Quality performance and workmanship are not good topics for training because careful
      work habits must be developed, if they are ever developed, on a personal basis over many
      years.

____ 127. Quality management is concerned with all of the following except
   a. machines.
   b. materials and measurements.
   c. human performance.
   d. the architectural design of facilities.

____ 128. In establishing a management training program, Mark Russell should be consider all of the following factors except
   a. The need for training.
   b. A plan for training.
   c. The timetable for training.
   d. The design of the training facilities.
129. Managerial and professional employees in small businesses need training so that
   a. individuals are developed to replace the founder in the case of a hostile takeover.
   b. they can adequately carry out their assigned responsibilities.
   c. outplacement services would be easier to set up.
   d. available tax benefits for the company can be realized.

130. A primary consideration in training professional and managerial personnel is
   a. counseling employees regarding their need for training.
   b. how much the training will cost in terms of fringe benefits.
   c. whether employees are too valuable in their present jobs to be changed.
   d. whether the union will allow it.

131. Which of the following plays the central role in attracting and motivating employees?
   a. Flexible work duties
   b. Job sharing arrangements
   c. Compensation
   d. Vacation benefits

132. A compensation system based on time is most appropriate for jobs in which
   a. performance is not easy to measure.
   b. responsibilities are difficult to understand.
   c. fringe benefits are an important part of the compensation offered.
   d. commissions make up a significant portion of compensation received.

133. Kevin Chang believes that the nature of his business operations makes measurement of performance almost impossible. Therefore, he wants to pay employees on the basis of hours worked. The compensation system he should use is a
   a. profit-sharing plan.
   b. time-based compensation system.
   c. commission system.
   d. differential piece rate system.

134. Charlie Colson wants to pay employees on the basis of the individual number of units they produce. The compensation system he should use is a
   a. profit-sharing plan.
   b. standard hourly system.
   c. commission system.
   d. piece work system.

135. Management and other key personnel "get a piece of the action" through
   a. fringe benefits.
   b. time-based compensation.
   c. profit sharing.
   d. tax benefits.

136. Keys to developing effective bonus plans include all of the following EXCEPT
   a. Setting attainable goals.
   b. Including employees in planning.
   c. Keep updating the goals.
   d. Discontinuing the bonus plan periodically.

137. Profit-sharing plans
   a. provide a more direct incentive in small firms than in large firms.
   b. are practically impossible to use successfully in small firms.
   c. are similar to individual incentive plans in their motivational effect.
   d. are an expensive fringe benefit for small firms, costing 40 percent of payroll.
138. Fringe benefits include
   a. hourly wages and overtime pay.
   b. commissions and bonuses.
   c. health insurance.
   d. profit-sharing plans.

139. As part of preparing a business plan, Grace Wang wishes to show the cost of fringe benefits as a percentage of payroll costs. She should use the following percentage:
   a. 40 percent.
   b. 25 percent.
   c. 15 percent.
   d. 5 percent.

140. The cost of fringe benefits ____ the cost of salary and wage payments.
   a. is less than half of
   b. is double
   c. is equal to
   d. considerably exceeds

141. Small firms give employees a share of ownership in the business through
   a. group incentive plans.
   b. profit plans.
   c. employee stock ownership plans.
   d. action-sharing plans.

142. The owner of a video rental business wishes to allow employees to own part of the business. She can do this by using
   a. a profit plan.
   b. a Keogh plan.
   c. an ESOP (employee stock ownership plan.)
   d. a fully vested pension plan.

143. Companies that lease employees to small businesses
   a. do not charge for their services.
   b. charge from 25 to 50 percent of payroll.
   c. take over personnel paperwork.
   d. lease only highly trained personnel.

144. Leasing employees is a good alternative for small businesses because
   a. leasing companies take care of much of the personnel paperwork.
   b. leasing companies decide who gets promoted.
   c. leasing companies charge the employees, not the small business.
   d. small companies that use leasing companies are exempt from regulations such as the Americans with Disabilities Act.

145. One of the disadvantages of leasing employees is that
   a. the leasing company determines who gets promoted.
   b. some leasing companies have run into financial trouble, leaving the small businesses liable for unpaid claims.
   c. benefits are not as good for the employees, although the firm saves money.
   d. the company receiving the employee loses control of his or her career path.
146. James Sandberg is investigating the advantages of employee leasing. It appears that the greatest benefit will be to free him and his firm from
a. the need for extensive training.
b. fringe benefit costs.
c. concern about disciplinary action.
d. excessive paperwork.

147. A small electrical contractor with nine employees hears that they would like to join a union. This contractor realizes that the firm
a. must follow the bargaining pattern set by large contractors.
b. can lawfully refuse to negotiate.
c. must negotiate if a majority of employees decide to unionize.
d. must deduct union dues from employees' paychecks.

148. When employer-employee relationships in a small firm are compared with those in a large firm, it is found that
a. the relationships are less formal in the large firm.
b. the large firm concentrates more on production and the small firm is more interested in personnel.
c. the small firm makes less use of formal personnel policies.
d. personnel policy changes are implemented more quickly in the large firm than in the small firm.

149. Which of the following conditions is most likely to encourage the appointment of a human resource manager?
   a. Labor turnover rate is low
   b. Competition for personnel is low
   c. Employees are represented by a union
   d. There are 35 employees in the firm

150. The owner of a growing business wonders when to hire a human resource manager. The most likely time would be when
   a. labor turnover rate is low.
   b. total employment exceeds 100.
   c. employees are not unionized.
   d. morale is high.

151. Quality is defined by the American Society for Quality Control as
   a. the characteristics of a product or service that affect its ability to satisfy the needs of customers.
   b. a series of activities designed to create excellence in a product or service.
   c. a special rank designated for manufactured products that have less than one defect per hundred.
   d. any output that meets the specific standards of a society.

152. One of the essential elements of successful quality management is
   a. customer focus.
   b. a supportive organizational structure.
   c. appropriate expectations.
   d. a stable management team.

153. A manager of a small plumbing company is thinking about installing a total quality management (TQM) program. If TQM is installed, the manager should be aware that
   a. costs cannot be allowed to limit quality goals.
   b. quality must become a very important goal of the business.
   c. ISO 9000 will be the controlling criterion.
   d. reengineering is the most direct route to effective TQM.
154. The ultimate judge of product quality is
   a. the customer.
   c. the owner of the business.
   d. the American Society for Quality Control.

155. After attending a total quality management (TQM) seminar, a small business owner decides that her firm has a good customer focus and adequate tools and techniques. To be assured of a really strong quality program, however, she knows that she must now establish the proper
   a. statistical quality control.
   b. benchmarking.
   c. marketing research.
   d. organizational culture.

156. A restaurant owner wants to analyze the competition and adopt any competitive practices that create superior quality. To accomplish this, the owner should use
   a. control charts.
   b. attribute inspection.
   c. benchmarking.
   d. ISO 9000.

157. A transportation director is using _____ when she analyzes the competition and uses the insights gained to improve quality internally.
   a. control charts
   b. attribute inspection
   c. benchmarking
   d. ISO 9000

158. Quality circles consist of
   a. small groups of employees who meet periodically to discuss quality problems.
   b. managers of several companies who meet annually to give prizes for best quality achievement.
   c. leaders of labor unions who meet monthly to discuss the employees' work environment.
   d. whistle-blowers within the company who wish to voice complaints.

159. Ben is a member of a small group of employees who meet periodically to discuss quality problems. He is a member of a(n) ____.
   a. control group
   b. quality achievement forum
   c. quality circle
   d. focus group

160. An issue in setting inspection standards and procedures is
   a. design tolerances.
   b. attribute allowances.
   c. reduction of momentary disruptions.
   d. achieving production closure.

161. An inspection plan that judges products as acceptable or unacceptable, good or bad, is known as
   a. a 100 percent inspection plan.
   b. an attribute inspection.
   c. a variable inspection.
   d. an inspection sampling plan.
162. The owner of a small manufacturing plant wants inspectors to check the width and length of a product (within specified tolerances) during the production process. This calls for
a. an attribute inspection.
b. a work sampling inspection.
c. a 100 percent inspection plan.
d. a variable inspection.

163. Quality management is applicable to
a. manufacturing but not service businesses.
b. service but not manufacturing businesses.
c. both service and manufacturing businesses.
d. neither service nor manufacturing businesses.

164. A control chart is used as part of a
a. statistical process control plan.
b. 100 percent inspection plan.
c. traditional inspection plan.
d. reengineering plan.

165. By conforming to ISO 9000, a small manufacturing firm should achieve improvements in
a. sales to Wal-Mart.
b. export sales.
c. product design.
d. quality of incoming raw materials.

166. The owner of a hair-styling salon is studying quality management materials that refer to outputs. He should understand that one example of an output in this business is the
a. process of washing and styling hair.
b. combs and scissors.
c. customer's trimmed and styled hair.
d. labor of an employee in serving a customer.

167. The operations process is found in
a. manufacturing but not service businesses.
b. service but not manufacturing businesses.
c. neither service nor manufacturing businesses.
d. both service and manufacturing businesses.

168. In a printing plant's production process, ink constitutes
a. an input.
b. a throughput.
c. an output.
d. a process.

169. In a printing plant's production process, a printed book constitutes
a. an input.
b. a throughput.
c. an output.
d. a process.

170. Manufacturing operations are generally characterized by
a. little customer contact and intangible products.
b. measurable productivity and intangible products.
c. measurable productivity and little customer contact.
d. tangible products and measurable productivity.
171. Manufacturing and service operations differ in which one of the following ways?
   a. Productivity is harder to measure in manufacturing.
   b. It is harder to build inventory in manufacturing.
   c. It is harder to establish quality standards in services.
   d. Service operations involve less contact with customers.

172. Job shops are most closely related to
   a. short production runs.
   b. long production runs.
   c. special-purpose equipment.
   d. standardized products.

173. Repetitive operations in manufacturing use
   a. general-purpose machines.
   b. job-order schedules.
   c. highly specialized equipment.
   d. short production runs.

174. A forklift is an example of a
   a. general-purpose machine.
   b. operationally-induced machine.
   c. highly specialized equipment.
   d. short-lived asset.

175. A powerful workstation computer for 3-D graphical product design is an example of a
   a. general-purpose machine.
   b. operationally-induced machine.
   c. highly specialized equipment.
   d. short-lived asset.

176. Resource Recovery Systems, a waste-recycling business, stresses maintenance of equipment in order to
   a. avoid interruptions in the company's recycling operations.
   b. meet OSHA requirements.
   c. reduce skyrocketing costs.
   d. utilize otherwise idle labor.

177. The plant maintenance function includes
   a. repairs, but not inspections.
   b. inspections, but not repairs.
   c. both repairs and inspections.
   d. neither inspections nor repairs.

178. A plant maintenance foreman would likely be responsible for
   a. repairs, but not inspections.
   b. inspections, but not repairs.
   c. both repairs and inspections.
   d. neither inspections nor repairs.

179. The corrective plant maintenance function includes
   a. inspection of equipment and replacement of worn parts.
   b. minor and major repairs following equipment breakdowns.
   c. lubrication of equipment.
   d. housekeeping.
180. Inspections of equipment is part of
   a. production control.
   b. supervising and follow-up.
   c. scheduling and dispatching.
   d. preventive maintenance.

181. Maintenance that includes inspections and other activities needed to prevent machine breakdowns is called
   a. corrective maintenance.
   b. full-scale maintenance.
   c. preventive maintenance.
   d. partial maintenance.

182. Maintenance that is intended to restore equipment or a facility to good condition is called
   a. corrective maintenance.
   b. full-scale maintenance.
   c. preventive maintenance.
   d. partial maintenance.

183. The owner of a small printing plant wishes to begin a preventive maintenance program. The owner should make plans for
   a. contracting with an outside firm for major repair services.
   b. hiring millwrights.
   c. periodic equipment inspections.
   d. installing process control charts.

184. 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
   a. reengineering.
   b. quality management.
   c. preventive maintenance.
   d. benchmarking.

185. The efficiency with which inputs are transformed into outputs is a definition of
   a. input/output production.
   b. in/out transformation.
   c. quality production.
   d. productivity.

186. Mark is more efficient in transforming his inputs into outputs than Joe. Mark’s ____ is higher than Joe’s.
   a. input/output production 
   b. in/out transformation 
   c. quantity of production 
   d. productivity 

187. Productivity improvements
   a. are most likely in service operations.
   b. may be enhanced by quality improvements.
   c. are the result of a firm’s doing less with more.
   d. are dependent on the standard of living.

188. Michael Hammer and James Champy popularized an approach to management called
   a. TQM.
   b. reengineering.
   c. continuous quality improvement.
   d. work sampling.
189. 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
a. benchmarking.
b. attribute inspection.
c. ISO 9000.
d. analysis of basic processes.

190. The owner of an automotive service center wishes to improve the business through reengineering. To do so, the owner should concentrate on the
a. basic processes of the business.
b. laws of motion economy.
c. use of time and motion study.
d. application of statistical process control.

191. Jim’s primary focus is on reengineering his workplace. His activities will eventually
a. find the proper time required for each work activity.
b. establish the standard cost for each work activity.
c. increase the quality level of products.
d. create substantial improvements in operations.

192. Work methods can be analyzed for
a. service firms.
b. merchandising firms.
c. manufacturers.
d. all of these answers.

193. The laws of motion economy are useful to managers in improving
a. under-used facilities.
b. off-schedule arrivals.
c. repetitive operations.
d. variations in shipping departures.

194. A firm should decide to make components (as opposed to buying them) when
a. it is considering adding plant capacity.
b. this decision would allow the firm to protect a secret design.
c. transportation costs are not a concern.
d. the quality demands of the firm's customers are low.

195. A firm should decide to buy components from a supplier (as opposed to making them)
a. when it has excess plant capacity.
b. when it will require greater flexibility on the firm's part to accommodate the supplier.
c. if product quality would be the same (regardless of the firm's decision.)
d. if the risk of equipment obsolescence can be transferred to the supplier.

196. Activities easily outsourced by small businesses include
a. payroll administration.
b. research and development.
c. quality control.
d. top-level decision making.

197. Good relationships with suppliers is important, but they are especially important for
a. large businesses.
b. small businesses.
c. medium-sized business.
d. labor-intensive businesses.
198. The ABC method of inventory management is founded on the notion that
   a. some inputs are more valuable or more critical to the firm's operations than others.
   b. inventory costs should be cut to an absolute minimum by reducing inventory on hand.
   c. a firm should know its economic order quantity at all times.
   d. the cost of placing an order is a fixed cost.

199. A “C” class item in a system that uses the ABC method of inventory management is
   a. critical.
   b. noncritical.
   c. most valuable.
   d. least valuable.

200. An “A” class item in the ABC method of inventory management is a ____ item.
   a. critical
   b. noncritical
   c. most valuable
   d. least valuable

201. Adoption of the just-in-time inventory system requires
   a. the elimination of raw materials wherever possible.
   b. an emphasis on work in progress.
   c. a reduction in the firm's finished goods.
   d. close cooperation with suppliers.

202. Risk, as stated in the textbook, is
   a. a chance all entrepreneurs take.
   b. a probability that adverse conditions will result.
   c. a condition in which there is a possibility that an adverse deviation from a desired outcome will occur.
   d. usually avoidable.

203. Pure risk, as stated in the textbook, is
   a. a chance all entrepreneurs take.
   b. a probability that adverse conditions will result.
   c. a condition in which there is a possibility that an adverse deviation from a desired outcome will occur.
   d. the uncertainty associated with a situation where only loss or no loss can occur.

204. Harold’s ownership of a moving van for use in his business represents which form of risk?
   a. Uninsurable risk
   b. Pure risk
   c. Insurable risk
   d. Market risk

205. Which of the following is not encompassed in the broad meaning of risk management?
   a. Uninsurable risks
   b. Impermeable risks
   c. Insurable risks
   d. Noninsurance approaches to reducing all types of pure risks

206. A risk management program requires all of the following except
   a. identification of risks.
   b. evaluation of risks.
   c. controlling risks.
   d. assessment of industry risk standards.
207. Which of the following is one of the three groups into which risk can be classified?
   a. Substantive
   b. Emerging
   c. Critical
   d. Reportable

208. Purchasing a fidelity bond on the company treasurer is a form of risk ____.
   a. financing
   b. provisioning
   c. retention
   d. transfer

209. Driving as safely as possible is an example of
   a. loss prevention.
   b. loss avoidance.
   c. loss reduction.
   d. loss control.

210. One of the most important means of sharing business risks is
   a. preventive maintenance.
   b. insurance.
   c. a system of internal checks or control.
   d. good management.

211. In its general form, a self-insurance program
   a. designates funds for property.
   b. designates funds for workers' compensation.
   c. is a contingency fund for potential losses, regardless of their source.
   d. is administered by an insurance company.

212. Self-insurance means
   a. owning an insurance company.
   b. owning stock in an insurance company.
   c. saving to have money to cover possible future losses.
   d. having coverage on the owner of the business.

213. Evaluation and review is an important step in the risk management process because
   a. it is difficult to select an effective method to manage risks.
   b. conditions change.
   c. it is nearly impossible to evaluate risk effectively.
   d. entrepreneurs find it challenging to identify the major risks that they face.

214. Which of the following is not defined as personal property?
   a. Buildings
   b. Furniture
   c. Fixtures
   d. Vehicles

215. Damage to a building by fire is an example of
   a. a benign neglect loss.
   b. a direct loss.
   c. a tort-based liability claim.
   d. a depreciated cash value loss.
216. Traditionally, commercial property insurance has valued all property loss at
   a. the depreciated value of the damaged or lost property.
   b. the undepreciated value of the damaged or lost property.
   c. the actual cash value of the damaged or lost property.
   d. the purchase value of the damaged or lost property.

217. Theft due to a burglary would be classified as a
   a. real property loss.
   b. personal property loss.
   c. consumer loss.
   d. direct loss.

218. Damage to a building due to a tornado is a ____ loss.
   a. real property
   b. personal property
   c. consumer
   d. uninsurable

219. Which of the following is not one of the tools for managing a high severity, high frequency loss?
   a. Loss prevention
   b. Loss avoidance
   c. Loss reduction
   d. Risk retention

220. Which of the following is a tool for managing low severity, low frequency risks?
   a. Loss prevention
   b. Self-insurance
   c. Contractual agreements
   d. Risk retention

221. Which of the following is a tool for managing high severity, low frequency risks?
   a. Loss prevention
   b. Risk retention
   c. Loss reduction
   d. Self-insurance

222. Mistakes that an employee makes in assembling a product for a customer could be a source of ____.
   a. premises liability
   b. employee liability
   c. product liability
   d. personal liability

223. Punitive damages are intended to have a ____ effect, sending a message to society that such conduct will not be tolerated.
   a. chilling
   b. deterrent
   c. provocative
   d. statutory

224. Compensatory damages include ____ damages.
   a. economic
   b. breach
   c. tort
   d. punitive
225. The negligent act is the ____ of the loss in a tort liability claim.
   a. circumstantial relationship
   b. obvious injury
   c. proximate cause
   d. assumed basis

226. ____ percent of small businesses do not even purchase business insurance to protect their enterprises.
   a. Five
   b. Fifteen
   c. Twenty-five
   d. Thirty

227. Insurance is most applicable and practical for ____ losses.
   a. all
   b. few
   c. improbable
   d. contingency

228. A business owner’s policy is unique in that
   a. it contains no insurance to value feature.
   b. the business owner cannot be the designated beneficiary.
   c. property insured by the policy must have an after-loss residual value.
   d. it cannot exclude named perils.

229. Under a coinsurance provision requiring the building insured for at least 80 percent of its value, the recovery
   on an insured loss of $100,000 on the building with a replacement value of $500,000 that was insured for
   only $300,000 would be limited to ____.
   a. $20,000
   b. $30,000
   c. $50,000
   d. $75,000

230. Most entrepreneurs do not realize the value of which of the following types of insurance?
   a. Fire insurance
   b. Business interruption insurance
   c. Property insurance
   d. Theft insurance

231. Business interruption insurance covers
   a. lost income.
   b. shoplifting.
   c. debts to suppliers.
   d. defective products.

232. A unique, attractive feature of a BOP is that both real and personal property are valued on
   a. an appraised cash value basis.
   b. a market-adjusted depreciated value basis.
   c. a replacement-cost basis.
   d. a proximal-to-value basis.

233. BOP medical payments coverage provides payment for injuries sustained by
   a. employees.
   b. customers.
   c. business owners.
   d. all of these answers.
234. A coinsurance provision requires that a property be insured for at least ____ percent of its value.
   a. sixty
   b. seventy
   c. eighty
   d. ninety

235. Doug’s BOP on his fishing guide business excludes property losses due to the wakes of other fishing boats. This is an example of the ____ approach to property insurance.
   a. foreseen risk
   b. reasonable-person standard
   c. named-peril
   d. insurance-to-value

236. Assume that the physical property of a business is valued at $50,000. The company’s commercial property policy contains a coinsurance clause with a stated percentage of 80 percent. The company insures the property for $30,000 (75 percent of the specified minimum). The company incurs a fire loss of $20,000. How much of the loss will the insurance company pay for?
   a. $20,000
   b. $15,000
   c. $0
   d. $10,000

237. John Dresser, who owns a small manufacturing concern, has just signed a commercial property policy with a clause requiring Dresser to maintain insurance equal to 80 percent of the property's value at the time of an actual loss. Dresser has accepted what is known as a ____ clause.
   a. coinsurance
   b. realty protection
   c. realty reserve
   d. override protection

238. Which of the following is an insurance coverage that is required by law in most states?
   a. Workers' compensation
   b. Employee bonding
   c. Product liability insurance
   d. Loss of key executive coverage

239. A customer’s slip and fall injury would be covered by
   a. general liability insurance.
   b. surety bonds.
   c. business interruption insurance.
   d. commercial property coverage.

240. The type of insurance that provides protection against a type of customer-oriented risk is
   a. general liability insurance.
   b. surety bonds.
   c. business interruption insurance.
   d. commercial property coverage.

241. General liability insurance covers
   a. business interruption.
   b. injury to customers caused by a firm's product.
   c. injury to employees.
   d. explosion.
242. Most small business advisors recommend ____ life insurance for key-person policies.
   a. whole  
   b. universal  
   c. term  
   d. blanket coverage

243. 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.
   a. whole  
   b. universal  
   c. term  
   d. blanket coverage

244. Regarding partners in a small business, statistics reveal that the risk of disability is ____ the risk of death.
   a. greater than  
   b. less than  
   c. about the same as  
   d. correlated with

245. Life insurance purchased by a company with the company as sole beneficiary is
   a. key-person insurance.  
   b. a surety bond.  
   c. business interruption insurance.  
   d. credit insurance.

246. Key-person disability insurance
   a. is common in small firms.  
   b. protects the firm from losses due to the death of a key employee.  
   c. replaces revenue lost when a key employee is disabled.  
   d. is rarely recommended by advisors to small businesses.