Multiple Choice

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

1. Financial statements are not likely to be used by
   a. a firm's management.
   b. prospective creditors.
   c. bankers.
   d. trade intermediaries.

2. The firm's operating profit margin is computed as a ratio of operating profits to
   a. sales.
   b. inventory.
   c. assets.
   d. total debt.

3. 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.

4. Michael Hammer and James Champy popularized an approach to management called
   a. TQM.
   b. reengineering.
   c. continuous quality improvement.
   d. work sampling.

5. 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.

6. 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.

7. 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.
8. Net cash flow
   a. is the difference between cash inflows and outflows.
   b. is the difference between revenues and expenses.
   c. is the same as net profit.
   d. has little impact on a firm's financial well-being.

9. 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.

10. 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).

11. 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.

12. 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.

13. 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.

14. 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

15. Regardless of their level of sophistication, available accounting systems
   a. rarely provide an accurate picture of operating results.
   b. often do not reveal employee fraud, theft, waste, and record-keeping errors.
   c. provide financial statements for internal use but not for external use.
   d. should allow the firm to compare operating results from the current year with prior years.
16. 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.

17. Discounted cash flow techniques of analysis include
   a. return on investment and net present value methods.
   b. net present value and investment outlay valuation methods.
   c. accounting ratio analysis and internal rate of return methods.
   d. net present value and internal rate of return methods.

18. 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.

19. ____ ratios are concerned with how much financing risk is associated with a firm.
   a. current
   b. assets to liabilities
   c. net cash present
   d. debt

20. 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.

21. 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

22. 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."

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

24. 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.
25. Cash budgets
   a. treat income and expenses the same way they are treated on an income statement.
   b. treat income and expenses differently from the way they are treated on an income statement.
   c. are relatively unimportant in the life of a small business.
   d. are tools for managing revenue.

26. Which of the following is one of the three groups into which risk can be classified?
   a. Substantive
   b. Emerging
   c. Critical
   d. Reportable

27. 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.

28. 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.

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

30. 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.

31. Most small business advisors recommend ____ life insurance for key-person policies.
   a. whole
   b. universal
   c. term
   d. blanket coverage

32. To determine a firm's ability to convert accounts receivable into cash on a timely basis, you divide
   a. accounts receivable by daily credit sales.
   b. cost of goods sold by accounts receivable.
   c. accounts receivable by average daily cash balance.
   d. accounts receivable by daily cash sales.

33. 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.
34. Leadership in small firms is more ____ in comparison to the leadership in large corporations.
   a. haphazard
   b. impersonal
   c. personalized
   d. more skillful

35. 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.

36. 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.

37. Which of the following accounting methods/systems recognizes revenue and expenses only when cash is
   received or payment is made?
   a. Single-entry system
   b. Double-entry system
   c. Accrual method
   d. Cash method

38. Higher turnover ratios for accounts receivable and inventories have implications for
   a. overall employee retention.
   b. long-term asset specificity.
   c. reduced debt position.
   d. increased firm liquidity and profitability.

39. 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.

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. 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.
42. 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.

43. Excess cash should be
   a. invested.
   b. used to purchase assets.
   c. used to pay dividends.
   d. kept on hand.

44. 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.

45. Compared to the single-entry system, an advantage of the double-entry bookkeeping system is that
   a. no math errors go undetected.
   b. it is better suited to firms that want to grow.
   c. it doesn't have to be self-balancing.
   d. it is easier to use.

46. The ____ is a function of how efficiently management is using the firm's assets to generate sales.
   a. total asset turnover
   b. acid-test ratio
   c. fixed asset turnover
   d. current ratio

47. 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.

48. 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

49. 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.
50. Regardless of the method used to interpret financial statements, this should be able to answer the following question:
   a. Does the firm have the capacity to meet its long-term financial commitments?
   b. Is the firm producing adequate operating profits on its short-term investment?
   c. How is the firm financing its assets?
   d. Is the firm generating sufficient returns on sales to cover its liabilities?

51. 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

52. An analysis of which of the following records facilitates maintenance of adequate stock levels?
   a. Accounts payable records
   b. Accounts receivable records
   c. Cash records
   d. Inventory records

53. 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.

54. 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.

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

56. 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.

57. 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.
58. 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.

59. 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

60. As Benito’s business grows larger, which of the following accounting methods/systems is he likely to adopt for use in his business?
   a. Single-entry system
   b. Double-entry system
   c. Accrual method
   d. Cash method

61. 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

62. 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

63. 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.

64. 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.

65. 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.
66. The best feature of an organizational structure that evolves naturally is its
a. economy.
 b. clarity.
 c. practicality.
 d. use of staff positions.

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

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

69. 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.

70. 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.

71. On occasions when a small business has idle funds, cash should be
 a. used to pay creditors in advance.
 b. left in the checking account for unforeseen needs.
 c. invested.
 d. paid to investors.

72. 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.

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

74. In a printing plant's production process, ink constitutes
 a. an input.
 b. a throughput.
 c. an output.
 d. a process.
75. An analysis of which of the following records is important in maintaining good customer relations?
   a. Cash records
   b. Fixed asset records
   c. Accounts receivable records
   d. Accounts payable records

76. The _____ indicates the extent to which plant and equipment are being utilized.
   a. acid-test ratio
   b. fixed asset turnover ratio
   c. current ratio
   d. average collection period

77. 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.

78. 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.

79. 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

80. A coinsurance provision requires that a property be insured for at least _____ percent of its value.
   a. sixty
   b. seventy
   c. eighty
   d. ninety

81. 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

82. 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.
83. Inspections of equipment is part of
   a. production control.
   b. supervising and follow-up.
   c. scheduling and dispatching.
   d. preventive maintenance.

84. 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

85. 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.

86. General liability insurance covers
   a. business interruption.
   b. injury to customers caused by a firm's product.
   c. injury to employees.
   d. explosion.

87. 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.

88. Which of the following is not an asset used to calculate net operating working capital?
   a. Accruals
   b. Accounts receivable
   c. Cash
   d. Inventories

89. Long-term investments are the focus of
   a. cash budgeting.
   b. investment planning.
   c. capital budgeting.
   d. corporate planning.

90. The accounting option a business chooses for financial reporting must
   a. be the same as the option chosen for tax accounting.
   b. meet legal requirements.
   c. be double entry in order to create the necessary financial statements.
   d. be computerized rather than manual.

91. 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.
92. The turnover ratios for accounts receivable and inventories have implications for
   a. employee retention.
   b. asset specificity.
   c. debt position.
   d. firm liquidity and profitability.

93. 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.

94. Inventory is called an "evil" because it
   a. ties up funds that are not actively productive.
   b. reduces cash when it is sold.
   c. is subject to deterioration.
   d. is a large asset for many firms.

95. Most small firms generate a balance sheet at least
   a. weekly.
   b. monthly.
   c. quarterly.
   d. annually.

96. When a business sells its accounts receivable to a finance company, this is called
   a. selling short.
   b. factoring.
   c. mortgaging the future.
   d. pledging receivables.

97. 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.

98. 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.

99. Under the NPV method, the rate of return required to satisfy the firm’s investors is
   a. the cost of capital.
   b. its opportunity cost.
   c. the internal rate of return.
   d. the accounting return on investment.

100. 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.
101. 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.

102. In making capital budgeting decisions, small business owners tend to rely to a significant extent on  
  a. intuition.  
  b. government assessment.  
  c. economic analysis.  
  d. informed opinion.

103. When a firm borrows money, it is required, at a minimum, to pay  
  a. part of the principle (the sum borrowed).  
  b. the interest on the debt.  
  c. part of the principle and the interest owed on the debt.  
  d. the taxes that accrue as a result of the money borrowed.

104. Fringe benefits include  
  a. hourly wages and overtime pay.  
  b. commissions and bonuses.  
  c. health insurance.  
  d. profit-sharing plans.

105. 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

106. An understanding of the present value of a future dollar is important when one is using  
  a. the payback period method.  
  b. discounted cash flow techniques.  
  c. the accounting return on investment technique.  
  d. the investment outlay valuation technique.

107. The accounting return on investment technique is characterized by the fact that  
  a. it is simple to calculate.  
  b. it is based on actual cash flows received.  
  c. it takes into account the time value of money.  
  d. it is a relatively unpopular technique.

108. 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.

109. Capital budgeting is important to the owner of a small business because  
  a. long-term investment decisions are made on a frequent basis.  
  b. short-term investment decisions are made on a frequent basis.  
  c. correct investment decisions add value to the firm.  
  d. constraints on expansion have little effect on the small firm.
110. The ultimate judge of product quality is
   a. the customer.
   c. the owner of the business.
   d. the American Society for Quality Control.

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

112. 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

113. 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.

114. A current ratio is calculated by dividing
   a. current assets by current liabilities.
   b. accounts receivable by daily credit sales.
   c. current assets plus accounts receivable by current liabilities.
   d. credit sales by accounts receivable.

115. 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

116. The cash conversion period is the time between
   a. placement of an order and cash payment for it.
   b. receipt of inventory and cash payment for it.
   c. cash payment for inventory and collection of accounts receivable.
   d. sale of inventory and cash collection of accounts receivable.

117. A change in a firm's credit and collection policies will likely affect which of the following records?
   a. Accounts payable records
   b. Accounts receivable records
   c. Cash records
   d. Inventory records
118. 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.

119. 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.

120. The major distinction between the cash method and the accrual method of accounting is that the
a. cash method is easier to use.
b. cash method matches revenue and expenses better.
c. point at which a firm reports revenue and expenses is different.
d. cash method involves less record keeping.

121. 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

122. 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.

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

124. Most small firms need to have financial statements generated at least
a. weekly.
b. monthly.
c. quarterly.
d. annually.

125. Which of the following is sometimes called near cash?
a. Accounts payable
b. Inventory
c. Accounts receivable
d. Pledges

126. 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.
127. 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.

128. 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.

129. The payback period and accounting return on investment techniques
   a. recognize the economic life of a project.
   b. ignore the time value of money.
   c. consider only the return for the first year of the investment.
   d. are more difficult to use than the net present value method.

130. 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.

131. In practice, a minimum acceptable rate of return on investment is usually based on
   a. industry average.
   b. outside investors’ stated requirements.
   c. auditors’ stated requirements.
   d. past experience.

132. 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.

133. 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.

134. 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.
135. Jill’s best use of a financial ratio analysis of her company’s performance is to compare it to
   a. that of larger firms.
   b. that of smaller firms.
   c. that of firms that have been particularly successful.
   d. industry norms.

136. 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.

137. 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.

138. 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.

139. The____ measures the rate of return on stockholders' investments in the business.
   a. return on total assets
   b. profit margin on sales
   c. return on equity
   d. fixed asset turnover

140. 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.

141. 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

142. 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?
   a. Accounts payable records
   b. Accounts receivable records
   c. Cash records
   d. Fixed asset records
143. 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.

144. 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.

145. Cash deposits during a month less checks written during the same period equal
a. net cash flow.
b. net profit.
c. operating profit.
d. net working capital.

146. Which of the following is not directly involved in a firm's management of its working capital?
a. Inventory
b. Fixed assets
c. Accounts receivable
d. Accounts payable

147. 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

148. 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.

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

150. The question "How many dollars in average profits are generated per dollar of average investment?" is answered using
a. accounting return on investment.
b. investment outlay valuation.
c. net present value.
d. internal rate of return.
151. 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

152. Financial ratio analysis is likely to be used to compare a company's performance to
   a. that of larger firms.
   b. that of smaller firms.
   c. that of firms that have been particularly successful.
   d. industry norms.

153. The question "How does the present value of future benefits from the investment compare to the initial investment outlay?" is answered using
   a. analysis of long-term investment.
   b. investment outlay valuation.
   c. ratio analysis.
   d. discounted cash flow analysis.

154. 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.

155. 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.

156. 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.

157. 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.
____ 158. If the net present value of a proposed investment is negative,
    a. the cost of the investment is less than the present value of the future cash flows.
    b. the investment earns the required rate of return.
    c. the present value of the future cash flows would be unaffected by the proposed investment.
    d. the firm should not make the investment, since the present value of the future cash flows is less than the cost of the investment.

____ 159. 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.

____ 160. Failure to recognize the time value of money is a weakness of
    a. the internal rate of return method.
    b. the accounting return on investment technique.
    c. the net present value method.
    d. discounted cash flow techniques.

____ 161. 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.

____ 162. 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.

____ 163. 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.

____ 164. 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.

____ 165. Damage to a building due to a tornado is a _____ loss.
    a. real property
    b. personal property
    c. consumer
    d. uninsurable
166. The life cycle of receivables begins with which of the following stages?
   a. A credit sale
   b. The processing of an invoice by a customer
   c. Funds remittance
   d. Collection

167. 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.

168. 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.

169. 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.

170. 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

171. 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.

172. 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.

173. Discounted cash flow (DCF) techniques compare the present value of future cash flows with
   a. the present value of capital.
   b. the investment outlay.
   c. project costs adjusted for inflation.
   d. all of these answers.

174. 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.
175. 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.

176. 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.

177. The amount of time it takes to recover the original cost of an investment is computed using
   a. the payback period technique.
   b. the periodic investment recovery technique.
   c. the investment return technique.
   d. the ratio analysis technique.

178. Which of the following questions do all types of capital budgeting techniques try to answer?
   a. Is the investment too expensive?
   b. Do the future benefits from the investment exceed the cost of making the investment?
   c. Will the investment's time requirements fit the needs of the company?
   d. Will the firm's cash flows be adequate to pay for the investment?

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

180. The turnover ratios for accounts receivable and inventories
   a. should both be included in the financial analysis of a firm.
   b. are measures of very different things.
   c. often lead to very different conclusions about the firm.
   d. represent different ways to measure the same thing.

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

182. 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
   a. accounts payable.
   b. the company’s lock box.
   c. company’s payroll account.
   d. petty cash.
183. Popularity, use of cash flows rather than accounting profits, and failure to consider the time value of money characterize
   a. the payback period technique.
   b. discounted cash flow techniques.
   c. the investment outlay valuation technique.
   d. long-term investment analysis.

184. 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.

185. 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.

186. 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.

187. 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.

188. 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.

189. 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.

190. Theft due to a burglary would be classified as a
   a. real property loss.
   b. personal property loss.
   c. consumer loss.
   d. direct loss.
191. Accounting software is available for the computers of most businesses. Most software packages provide
   a. a computerized checkbook, accounts receivable managers, and financial-statement preparers.
   b. a computerized checkbook, budgeting programs, and accounts receivable managers.
   c. a computerized checkbook, preparation of a cash budget that compares actual and budgeted expenditures, and preparation of income statements and balance sheets.
   d. budgeting programs, accounts receivable managers, and financial-statement preparers.

192. Compensatory damages include ___ damages.
   a. economic
   b. breach
   c. tort
   d. punitive

193. The debt ratio relationship can also be stated as the
   a. current ratio.
   b. acid-test ratio.
   c. debt-equity ratio.
   d. current-debt ratio.

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

195. 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.

196. 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.

197. 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.

198. 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.
199. 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.

200. 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.

201. 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.

202. 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.

203. Wilbur is attempting to raise some quick cash for his business by selling its accounts receivable to a finance company, this is called
   a. selling short.
   b. factoring.
   c. mortgaging the future.
   d. pledging receivables.

204. 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.

205. Assuming that cash is available, payment for an account payable with terms of 3/10, net 30 should be made on day
   a. 3.
   b. 10.
   c. 13.
   d. 30.

206. 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.
207. BOP medical payments coverage provides payment for injuries sustained by  
a. employees.  
b. customers.  
c. business owners.  
d. all of these answers.

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

209. 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.

210. 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.

211. ____ provides a self-balancing mechanism.  
a. A single-entry system  
b. A double-entry system  
c. The accrual method  
d. The cash method

212. 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.

213. 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.

214. 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

215. 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.
216. 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.

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

218. 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.

219. 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.

220. 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.

221. The use of debt can
a. increase a firm's return on equity.
b. reduce a firm's risk.
c. improve a firm's inventory turnover ratio.
d. enhance market response to a firm's performance.

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

223. The main purpose of capital budgeting is to help managers make decisions about
a. long-term investments.
b. short-term investments.
c. discounts to offer to customers.
d. nonfinancial constraints on expansion.

224. 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.