Multiple Choice

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

1. The seller’s measure of what he or she is willing to receive in exchange for transferring ownership or use of a product or service is known as
   a. credit.
   b. average pricing.
   c. demand.
   d. price.

2. The total sales revenue of a small business is a direct reflection of
   a. sales volume and credit terms.
   b. price and credit terms.
   c. price and expenses.
   d. sales volume and price.

3. Will’s business will not be successful unless it charges a price for its products that covers its
   a. total variable cost.
   b. total cost.
   c. total fixed cost.
   d. total cost and some margin of profit.

4. Costs incurred by a firm in actually producing a product (e.g., materials, machinery, etc.) are considered to be a part of
   a. general overhead expenses.
   b. costs of manufacturing.
   c. cost of goods sold.
   d. manufacturing overhead expenses.

5. Marie will account for the costs incurred by her firm in producing its products (e.g., materials, machinery, etc.) as a part of its
   a. general overhead expenses.
   b. costs of manufacturing.
   c. cost of goods sold.
   d. manufacturing overhead expenses.

6. Active Feet, a small manufacturer of shoes, hired an additional vice-president and purchased a barrel of synthetic rubber used to make shoe soles. These two expenses should be considered a (an) ____ and a (an) ____, respectively.
   a. selling cost/cost of goods sold
   b. overhead cost/cost of goods sold
   c. selling cost/overhead cost
   d. overhead cost/selling cost

7. Hollywood Amusement, a small independent movie theater, decreased the price of admission from $5 to $4. Prior to the price decrease, the business sold 1,000 tickets each month. After the price decrease, it experienced ticket sales of 1,500 a month. If the change in sales is attributable only to the change in price, Hollywood Amusement faces ____ for its movie tickets.
   a. inelastic demand
   b. constant demand
   c. variable demand
   d. elastic demand
8. In general, products that are consumed in fixed amounts have
   a. inelastic demand.
   b. constant demand.
   c. variable demand.
   d. elastic demand.

9. In general, products that are consumed in different amounts have
   a. inelastic demand.
   b. constant demand.
   c. variable demand.
   d. elastic demand.

10. A pricing tactic whereby a firm sets a high price to convey an image of high quality or uniqueness is known
    as
   a. skimming pricing.
   b. penetration pricing.
   c. variable pricing.
   d. prestige pricing.

11. The salesman told Todd that the high price of the dealerships’ automobiles was indicative of their high
    quality. The dealership is using a ____ pricing strategy.
   a. skimming
   b. penetration
   c. variable
   d. prestige

12. A competitor would likely use a ____ pricing strategy for a gaming console intended to compete directly with
    Sony’s Playstation gaming console.
   a. follow-the-leader
   b. penetration
   c. variable
   d. prestige

13. Juan is using ____ when he systematically compares various cost and revenue estimates in order to determine
    the acceptability of alternative prices.
   a. break-even analysis
   b. price lining
   c. cost functioning
   d. demand functioning

14. A comprehensive break-even analysis entails
   a. examining revenue-cost relationships and establishing sales forecasts.
   b. analyzing marketing strategy.
   c. the use of comparison pricing.
   d. approximations of debits and credits.

15. Within the framework of a break-even analysis, an examination of ____ is conducted to determine the
    quantity at which the product, with an assumed price, will generate enough revenue to start earning a profit.
   a. costs
   b. revenues
   c. sales forecasts
   d. costs and revenue
16. Nina should use ____ if she must cover operating expenses, subsequent price reductions, and achieve a desired profit level.
   a. markup pricing
   b. price lining
   c. break-even pricing
   d. cost-based pricing

17. Markup pricing may be expressed in terms of a percentage of either the ____ or the cost.
   a. quantity
   b. operating expenses
   c. selling price
   d. estimated expenses

18. Fine Framings, a small framing shop, uses markup pricing to arrive at a final selling price. The firm sells its frames at a price of $10, given a $6 unit cost. Fine Framings' markup on the selling price is ____, and its markup on cost is ____.
   a. 66.66%, 40%
   b. 40%, 66.66%
   c. 40%, 60%
   d. 55%, 45%

19. Clock Tickers, a small retailer of a quality alarm clock, sells its product for $180. If Clock Tickers adheres to pricing based on a 35% markup of cost, the firm's product costs are approximately
   a. $63.
   b. $98.
   c. $133.
   d. $155.

20. The Widget Company sells 1,000 widgets annually at a price of $35 each. If the company's pricing policies adhere to a 40% markup of selling price, the cost of each widget is
   a. $14.
   b. $21.
   c. $28.
   d. $32.

21. Gomez is pricing his products at a lower than normal, long-range market price in order to gain more rapid market acceptance. He is using a ____ strategy.
   a. variable pricing
   b. skimming price
   c. penetration pricing
   d. price lining

22. All of the following are reasons for implementing a penetration pricing strategy except
   a. to gain rapid market acceptance.
   b. to discourage new competitors' entry into the market.
   c. to rapidly recover startup costs.
   d. to increase existing market share.

23. Colorful Concoctions, a maker of children's crayons, decided to price its boxes of crayons below the long-term market price. The firm agreed to reduce its profit margin from 30 percent to 5 percent in the short-term in order to increase market share and discourage other firms from entering the crayon market. Colorful Concoctions was implementing a
   a. variable pricing strategy.
   b. skimming price strategy.
   c. penetration pricing strategy.
   d. price lining strategy.
24. Natural Well, a local supplier of natural bottled water, initially sold its product at a premium price of $4 because the company believed consumers would view the bottled water as a prestige item. The company decided that when startup costs had been fully recovered and competition became imminent, the company would reduce the price to a more reasonable $1. Natural Well is implementing a
a. variable pricing strategy.
b. skimming price strategy.
c. penetration pricing strategy.
d. price lining strategy.

25. Setting prices for products or services using a particular competitor as a model of reference is known as a
a. variable pricing strategy.
b. flexible pricing strategy.
c. follow-the-leader pricing strategy.
d. price lining strategy.

26. Hollywood Entertainment analyzed its customer base to ascertain the characteristics of customer segments and understand special market conditions. The independent movie theater found that senior citizens thought the current $5 admission price was too high and that most consumers preferred to go to the movies after 6:00 p.m. To strengthen ticket demand, Hollywood Entertainment began offering $3.50 tickets to all seniors and $4 tickets for all movies starting before 6:00 p.m. Hollywood Entertainment was employing a
a. variable pricing strategy.
b. flexible pricing strategy.
c. price lining strategy.
d. differentiated pricing strategy.

27. Within the context of a price lining strategy, the inventory level of the different lines depends directly on the
a. product awareness
b. personal demographics
c. credit worthiness
d. income level and buying desires

28. Which one of the following is not true with respect to pricing in a small business?
   a. Continual price adjustments can be both costly to the seller and confusing to buyers.
   b. In some situations, local, state, and federal laws must be considered when setting prices.
   c. Conducted properly, price determination is an exact science.
   d. Systems of discounts are often used to adjust prices to meet a variety of market needs.

29. The major objective of a firm in granting credit is
   a. generating consumer goodwill.
   b. reducing bad debt risk.
   c. expanding sales.
   d. promoting the business.

30. Benefits of credit to sellers include all of the following except
   a. creating a closer association with the customers.
   b. smoothing out sales peaks and valleys.
   c. providing a tool for competitive advantage.
   d. sustaining long-term sales, even if these exceed the buying power of the customer.

31. Credit sales ____ the amount of working capital needed by the business doing the selling.
   a. augment
   b. decrease
   c. increase
   d. offset
32. Credit granted by retailers to final consumers who purchase for personal or family use is referred to as
   a. trade credit.
   b. personal credit.
   c. open credit.
   d. consumer credit.

33. With ____, the customer obtains possession of goods or services when they are purchased, with payment due
   when billed at a later date.
   a. an open charge account
   b. an installment account
   c. a revolving account
   d. a selective account

34. Credit cards are usually based on ____ account system.
   a. an open charge
   b. an installment
   c. a revolving
   d. a selective

35. Which of the following is true with respect to installment accounts?
   a. A down payment is normally required.
   b. Large purchases are usually not covered by this form of credit.
   c. By law, finance charges cannot exceed 20 percent of the purchase price.
   d. Short-term consumer credit is provided.

36. Which of the following is true with respect to revolving charge accounts?
   a. A down payment is normally required.
   b. Charged purchases may not exceed the credit limit.
   c. A fixed amount must be paid monthly, regardless of the outstanding balance.
   d. Finance charges increase as the outstanding balance increases.

37. If Hillary wants to purchase refrigerator on credit. If she uses an installment plan, which of the following is
   most likely to occur?
   a. She will be required to make a down payment.
   b. She will not be charged taxes.
   c. By law, finance charges on her account cannot exceed 20 percent of the purchase price.
   d. She will not get a discounted price on her purchase.

38. Quality Cars, an independent used-car dealership, utilizes long-term consumer credit in its business.
   Typically, consumers are allowed to place a 15 percent down payment on an automobile. Then, over a period
   of 48 months, the consumer is allowed to make payments on the balance of the account, which includes
   compound interest of 2 percent monthly on the unpaid portion. Quality Cars is employing ____ in its
   business.
   a. open charge accounts
   b. installment accounts
   c. revolving accounts
   d. selective accounts
39. Handyman Hardware, a small community-based store, offers its consumers the option of using credit. Creditworthy individuals are able to use the "HH Credit Card" for all purchases up to a credit limit of $1,000. Consumers are required to pay at least 20 percent of their outstanding balance at the end of each month. A two percent finance charge is assessed on the unpaid balance at the end of each billing cycle. Handyman Hardware is employing ____ in its business.
   a. open charge accounts
   b. installment accounts
   c. revolving charge accounts
   d. selective accounts

40. The basic types of credit cards include all of the following except
   a. entertainment credit cards.
   b. retailer credit cards.
   c. bank credit cards.
   d. collective establishment credit cards.

41. A trade credit bill of $80,000 with terms of sale of 2/5, net 30 means the buyer saves ____ if the bill is paid within the discount period.
   a. $400
   b. $1,600
   c. $2,500
   d. $4,000

42. How much discount will a buyer receive if the buyer pays a trade credit bill of $60,000 with terms of sale of 2/5, net 30 on the net due date?
   a. $0
   b. $500
   c. $1200
   d. $3,000

43. Major steps in a formal, comprehensive credit management system for a small business include all of the following except
   a. aging accounts receivable.
   b. evaluating the credit of applicants.
   c. establishing effective billing and collection procedures.
   d. maintaining the credit history of customers to whom credit is extended.

44. Which of the following is a good source of consumer credit information?
   a. Trade-credit agencies
   b. The Federal Credit Reporting Agency
   c. Third-party reports
   d. Credit bureaus

45. Information Express is a privately owned and operated organization that collects credit information on business firms. After the organization analyzes and evaluates the data, it makes credit ratings available to client companies for a fee. Information Express is a
   a. credit collection agency.
   b. trade-credit agency.
   c. financial credit agency.
   d. credit bureau.
46. CarePair, a small business specializing in making and distributing hospital gowns to medical facilities, often sells its product on credit. The company maintains a ledger that divides accounts receivable into age categories based on the length of time they have been outstanding. Receivables 1-6 months old are deemed grade A (regular business); 7-12, grade B (overdue business); and 13-24, grade C (delinquent business); those accounts receivable over 24 months old are turned over to a collection agency. CarePair is relying on _____ to keep track of accounts receivable.
   a. a collection categorization
   b. an aging schedule
   c. a delinquent adjustment schedule
   d. a financial credit schedule

47. Which of the following statements is true of credit bureaus?
   a. They act as third-party underwriters of credit to companies which then offer this to customers.
   b. They provide a likely scenario of future use/misuse of credit.
   c. They profile members' credit experiences specifically with non-profit organizations.
   d. They collect credit information and offer it only to member businesses.

48. Slow-paying credit accounts
   a. almost always help to build goodwill with customers.
   b. yield advantages from carry-over effects.
   c. tie up the seller's working capital.
   d. are rarely a problem for small businesses.

49. All of the following are acceptable options available to entrepreneurs attempting to collect delinquent accounts receivable except
   a. written reminders.
   b. personal contacts.
   c. telephone calls to a customer's employer.
   d. referrals to collection agencies or attorneys.

50. One of the primary purposes of the federal Consumer Credit Protection Act is to
   a. require creditors to specify how finance charges are computed.
   b. grant certain rights to credit applicants regarding credit reports.
   c. inform consumers about all forms of credit available to them.
   d. specify what information a customer's employer can release about him/her.

51. Which of the following is not part of the communication process?
   a. Source
   b. Message
   c. Perception
   d. Channel

52. A promotional mix is influenced by the following three major factors:
   a. Geography of the market, the size of the promotional budget, and product characteristics.
   b. Geography of the market, retailer market, and product characteristics.
   c. The firm's target customers, product characteristics, and budget requirements.
   d. The firm's target customers, market size, and product characteristics.

53. A widely dispersed market favors which of the promotional methods?
   a. Personal selling
   b. Sales promotion
   c. Personal promotion
   d. Advertising
54. Which of the following is one of the basic promotional methods?
   a. Advertising  
   b. Provisional selling  
   c. Sales enhancement  
   d. Expansive communication

55. Promotional funds are determined according to past experience in which of the following methods?
   a. Spending as much as the competition  
   b. What can be spared  
   c. Percentage of sales  
   d. Forecasted industry standard

56. Inspiring Toys, a small manufacturer of educational toys, is formulating a budget for next year's promotional activities. The company decides to budget $40,000 for promotional expenses (5 percent of the current year's $800,000 in sales). Inspiring Toys is using the ____ method of budgeting.
   a. spending as much as the competition  
   b. what it will take to do the job  
   c. percentage of sales  
   d. what can be spared

57. The major problem with the ____ method of determining promotional expenditures is the tendency to spend more when sales are increasing and less when they are declining.
   a. percentage of sales  
   b. what it will take to do the job  
   c. sales plus  
   d. what can be spared

58. Which of the following does not describe a method of determining promotional expenditures?
   a. Matching industry forecasts  
   b. Spending as much as the competition  
   c. What can be spared  
   d. What it will take to do the job

59. A widely used piecemeal approach to determining the level of promotional expenditures is
   a. expert opinion.  
   b. what can be spared.  
   c. what the market will bear.  
   d. cost plus.

60. The preferred method of determining promotional expenditures is
   a. percentage of sales.  
   b. what it will take to do the job.  
   c. cost plus.  
   d. what can be spared.

61. The "spending as much as the competition" method
   a. can be used to duplicate the promotional efforts of close competitors.  
   b. should never be used.  
   c. depends on past experiences.  
   d. should be used to introduce a unique, new product.
62. Mini Makers, a small manufacturer of action figures, is formulating a budget for next year's promotional activities. The company decides to budget $50,000 for promotional expenses (an amount equal to its nearest competitor's allotment.) Mini Makers is using the ____ method of budgeting.
   a. spending as much as the competition
   b. what it will take to do the job
   c. percentage of sales
   d. what can be spared

63. ____ is a promotion delivered in a one-on-one environment.
   a. Personal selling
   b. Sales promotion
   c. Personal promotion
   d. Advertising

64. Personal selling is widely used in
   a. retail establishments only.
   b. wholesale and retail establishments only.
   c. service establishments only.
   d. retail, wholesale, and service establishments.

65. Mary White, a sales representative for a small cleaning business, asks current customers for names of friends, customers, and other businesses that might be interested in the company's cleaning services. White is relying on ____ to identify potential customers.
   a. customer-initiated contacts
   b. marketer-initiated contacts
   c. impersonal referrals
   d. personal referrals

66. Which of the following is not a technique for prospecting?
   a. Impersonal referrals
   b. Personal referrals
   c. Public records
   d. Agency-initiated contacts

67. The two major steps in preparing for a sales presentation are
   a. advertising and practicing.
   b. prospecting and practicing.
   c. publicity and prospecting.
   d. exhibits and prospecting.

68. Media publications, public records, and directories are sources of
   a. impersonal referrals.
   b. marketer-initiated contacts.
   c. personal referrals.
   d. customer-initiated contacts.

69. Telephone calls and mail surveys are examples of
   a. impersonal referrals.
   b. marketer-initiated contacts.
   c. personal referrals.
   d. customer-initiated contacts.
70. Will Thompson is a salesperson for a small appliance store. In an attempt to locate potential new customers, he decides to mail a survey to residents in selected neighborhoods. Those individuals who return completed surveys will receive a phone call from Thompson about the store's products and current "deals." Thompson is gaining knowledge of potential customers through
   a. customer-initiated contacts.
   b. marketer-initiated contacts.
   c. impersonal referrals.
   d. personal referrals.

71. A salesperson at Carpet Warehouse searches public records of new building permits to identify potential customers for new carpets. This salesperson is relying on ____ to identify sales prospects.
   a. customer-initiated contacts
   b. marketer-initiated contacts
   c. impersonal referrals
   d. personal referrals

72. Customer objections can be categorized as relating to
   a. product and price.
   b. need and sequence.
   c. source and pitch.
   d. timing and sequence.

73. Which approach can be used to handle a customer's objections?
   a. Showing what a delay might cost
   b. Hearing the prospect out
   c. Using the boomerang technique
   d. Using the "Yes, but" response

74. Using the boomerang technique to respond to a prospect's objection involves
   a. listening to the objection.
   b. turning a valid objection into a valid reason to buy.
   c. responding with "Yes, but."
   d. admitting faults and apologizing.

75. Aaron Michels, a corporate account salesperson for Software Etc., is conducting a sales presentation for a potential new customer. Following the presentation, the prospective client states that her firm already uses a competing product. Intuitively, Mr. Michels replies, "In that case, I’m certain that you are now ready to upgrade to the best product available." Mr. Michels's response is an example of using
   a. the boomerang technique.
   b. admitting and counterbalancing.
   c. the "Yes, but" approach.
   d. comparisons.

76. An example of a nonfinancial reward that may motivate a salesperson is
   a. personal recognition.
   b. compensation.
   c. a bonus plan.
   d. a stock plan.

77. Which is the compensation plan best suited for salespersons in a small business?
   a. Straight salary plan
   b. Strictly commissions-on-sales plan
   c. Combination of salary and commissions, with the salary representing the larger portion
   d. Combination of salary and commissions, with the commissions representing the larger portion
78. The two basic types of advertising are ____, which makes potential customers aware of products and their need for them, and ____, which conveys an idea about the firm that produces the product.
   a. institutional, product
   b. product, institutional
   c. product, publicity
   d. specialty, publicity

79. Small firms may restrict their advertising by
   a. media channel.
   b. customers' perceptions of products offered.
   c. customer type.
   d. business category.

80. The right combination of advertising media depends on
   a. the type of business.
   b. customer income.
   c. the ad agency.
   d. the class of the customer.

81. Before meeting with media representatives, a small business manager should
   a. perform a statistical analysis of the market.
   b. consult different banks for loan rates.
   c. learn about the strengths and weaknesses of each advertising medium.
   d. create the message.

82. Which of the following is not one of the services ad agencies provide?
   a. Furnishing design and artwork
   b. Evaluating the effectiveness of different advertising appeals
   c. Analyzing the balance of a firm's marketing mix
   d. Advising on sales promotions

83. Outside sources that may assist in formulating and carrying out promotional programs include
   a. marketing coaches.
   b. professional associations.
   c. the advertising media.
   d. trade representatives.

84. Advertising via the Web is appealing because this medium
   a. has demonstrated that it is effective in attracting potential customers.
   b. offers an intense one-way transfer of information.
   c. is available 24 hours a day.
   d. is a reliable way of getting a firm's message out.

85. The basic methods of Web promotion include
   a. customer targeting.
   b. Web site replication.
   c. creating banner ads and pop-ups.
   d. establishing Web page "thumbprints."

86. A Web site is
   a. a location on the Web where users can find information about a company and its products.
   b. an essential tool in today's business environment.
   c. usually too expensive for small businesses to support.
   d. often difficult for customers to find, and therefore of little use to reaching a market.
87. Internet advertising is already facing an obstacle because
   a. viewers are reluctant to respond to banner ad images that pass by so quickly.
   b. a viewer can install ad-blocking software on his or her computer.
   c. it lacks scale efficiencies, given that few companies are choosing to advertise on this medium.
   d. of legislation that is intended to restrict use of the Internet.

88. Which of the following is not one of the critical startup tasks involved in the preparation of the successful launch of a dot.com site?
   a. Creating and registering a site name
   b. Building a user-friendly site
   c. Promoting the firm's site
   d. Identifying a target market

89. The nonprofit corporation currently overseeing the global Internet is called the
   a. Global Internet Management Corporation.
   b. International Office for Internet Oversight.
   c. International Public Internet Corporation.
   d. Internet Corporation for Assigned Names and Numbers.

90. One of the biggest reasons Web sites fail to retain customers is
   a. privacy concerns.
   b. pure and simple boredom.
   c. slow downloading.
   d. the poor performance of Web-based businesses in order fulfillment.

91. One of the ways that a company can promote its online business is by
   a. placing banner ads on its site.
   b. offering rebates that can be applied toward future purchases on the site.
   c. making sure that the Web site is accessed by Internet search engines.
   d. germ marketing.

92. Which of the following is one of the ways an online business can submit a Web site to search engines?
   a. Employing search engine submission hardware
   b. By calling 1-800-ENGINES
   c. Using a paid submission service
   d. Requesting such services from the Small Business Administration

93. serves as an inducement to buy a certain product while typically offering value to recipients.
   a. A sales promotion
   b. A specialty trade show
   c. Advertising
   d. Specialty advertising

94. Which of the following is not considered a sales promotion tool?
   a. Coupons
   b. Newspaper ads
   c. Premiums
   d. Point-of-purchase displays

95. The most widely used specialty item is the
   a. calendar.
   b. pen.
   c. lighter.
   d. key chain.
96. John Frye, a small business manager, is interested in creating more company goodwill. Which of the following promotional tools should he use?
   a. Publicity program
   b. Trade show exhibit
   c. Contest
   d. Specialties

97. Specialties are promotional tools that can
   a. create goodwill for the company.
   b. prevent price competition.
   c. allow customers to sample the product.
   d. cast doubt on the products offered by competitors.

98. The "lasting medium" is a term that refers to which of the following?
   a. Contests
   b. Sampling
   c. Specialties
   d. Free merchandise

99. Hands-on experience with a product is possible with
   a. coupons.
   b. trade show exhibits.
   c. specialty promotions.
   d. personal selling.

100. Anne Dunne owns a small business dealing with industrial products. She currently uses personal selling extensively, but she wants to reduce her cost without losing exposure. Which promotional tool should she use?
    a. Specialties
    b. Coupons
    c. Contests
    d. Trade show exhibits

101. 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.

102. 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.

103. 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.
104. 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.

105. 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.

106. 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.

107. 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.

108. 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.

109. 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.

110. 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

111. 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.
112. 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.

113. 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.

114. 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.

115. 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.

116. 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.

117. 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.

118. 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.

119. 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.
120. 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.

121. 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.

122. 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.

123. 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.

124. 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.

125. 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.

126. 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.

127. 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.
128. 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.

129. 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.

130. 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.

131. 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.

132. 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.

133. 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.

134. 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.

135. 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.

136. 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.
137. International franchising is a variation on the theme of
   a. exporting.
   b. importing.
   c. foreign licensing.
   d. international strategic alliances.

138. 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.

139. 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.

140. 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.

141. 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.

142. 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.

143. 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.
144. 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.

145. 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.

146. 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.

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

148. 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.

149. 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.

150. 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.

151. 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.
152. 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

153. 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

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

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. 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.

157. 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.

158. 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.

159. 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.
160. 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.

161. 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.

162. 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.

163. 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.

164. 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.

165. 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.

166. 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

167. 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

168. 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.
169. 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.

170. 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.

171. 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

172. 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.

173. 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.

174. 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.

175. 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.

176. 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.
177. 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.

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

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

180. 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.

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

182. In a line organization, each employee has
a. one supervisor.
b. two supervisors.
c. three supervisors.
d. an indefinite number of supervisors.

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

184. 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.

185. 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
186. In a line-and-staff organization, which of the following is a staff activity?
   a. Production
   b. Warehousing
   c. Receiving
   d. Human resource management

187. 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.

188. 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.

189. 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

190. 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.

191. 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.

192. 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.

193. 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.
194. 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.

195. 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.

196. 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.

197. 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.

198. 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).

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

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

201. 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.
202. 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.”

203. 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.

204. 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.

205. 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

206. 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.

207. 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.

208. 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.

209. 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.
20. In seeking personnel for non-critical positions, small firms sometimes turn to
   a. temporary help agencies.
   b. leasing companies.
   c. attorneys.
   d. headhunters.

211. 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.

212. 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.

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

214. 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.

215. 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.

216. 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

217. 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.
218. 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

219. 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.

220. 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.

221. 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.

222. 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.

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

224. 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.

225. 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.
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.

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.

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.

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.

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.

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

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.
233. 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.

234. 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.

235. 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.

236. 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.

237. 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.

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

239. 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.

240. 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
241. 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.

242. 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.

243. 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.

244. 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.

245. 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.

246. 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.

247. 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.

248. 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.
249. 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

250. 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.