

REVIEW ONE

Matching

Complete the following using these terms.

- a. outsourcing
- b. diversity
- c. entrepreneur
- d. competitive differentiation
- e. strategic alliance
- f. capital
- g. vision
- h. factors of production
- i. brand
- j. relationship management
- k. not-for-profit organizations
- l. business ethics

- _____ 1. To operate effectively, certain inputs called _____ systems are required for all economic systems.
- _____ 2. _____ refers to technology, tools, information, and physical facilities.
- _____ 3. A company that contracts with another business to perform functions previously handled by internal staff is participating in _____.
- _____ 4. A partnership formed to create a competitive advantage for the businesses involved is known as a(n) _____.
- _____ 5. A person who seeks a profitable opportunity and then devises a plan to achieve that profit is called a(n) _____.
- _____ 6. The ability to perceive future marketplace needs and what an organization can do to satisfy them is referred to as _____.
- _____ 7. A(n) _____ is a name, terms, sign, symbol, design, or combination that identifies the products of one firm.
- _____ 8. _____ is a collection of activities that build and maintain ongoing, mutually beneficial ties between a business and its customers and other parties.
- _____ 9. _____ involves blending different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities in order to enhance a firm's chances of success.
- _____ 10. _____ are businesslike establishments that have primary objectives other than returning profits to their owners.
- _____ 11. _____ refers to the standards of conduct and moral values involving decisions made in the work environment.
- _____ 12. _____ is the unique combination of organizational abilities, products, and approaches that sets a company apart from competitors in the minds of consumers.

Complete the following using the terms listed.

- a. Consumer Price Index
- b. inflation
- c. gross domestic product
- d. fiscal policy
- e. monetary policy
- f. equilibrium price
- g. budget deficit
- h. pure competition
- i. supply
- j. demand
- k. productivity
- l. recession
- m. planned economy
- n. oligopoly
- o. monopoly

- _____ 13. _____ measures the monthly average change in prices of goods and services.
- _____ 14. _____ results in rising prices caused by a combination of excess consumer demand and increases in the costs of raw materials.
- _____ 15. Attempting to bring about changes in economic activity through changes in the size of the nation's money supply is called _____.
- _____ 16. _____ is the amount of goods and services available at various prices.
- _____ 17. The market price where the supply and demand curves meet is the _____.
- _____ 18. If the government spends more than it collects in taxes, then a(n) _____ occurs.
- _____ 19. The use of government tax and spending policies to bring about desired changes in the economy is called _____.
- _____ 20. _____ is the sum of all goods and services produced within a country's boundaries.
- _____ 21. _____ refers to the willingness and ability of buyers to purchase goods and services at various prices.
- _____ 22. An economic system where government controls determine such things as business ownership and resource allocation is called a(n) _____.
- _____ 23. During a(n) _____, consumers frequently postpone major purchases and shift buying patterns toward basic, functional products carrying low prices.
- _____ 24. _____ is a market structure characterized by a large number of buyers and sellers exchanging relatively homogenous products, with no single participant having a significant influence on price.
- _____ 25. A(n) _____ is characterized by relatively few sellers and barriers to entry due to high start-up costs.
- _____ 26. In a(n) _____ a single seller dominates trade in a product for which buyers can find no close substitute.
- _____ 27. _____ is the relationship between the goods and services produced in a nation each year and the inputs needed to produce them.

Complete the following using the terms listed.

- a. exporting
- b. balance of trade
- c. joint venture
- d. dumping
- e. imports
- f. tariff
- g. International Monetary Fund
- h. subcontracting
- i. free trade area
- j. devaluation
- k. exchange rate
- l. absolute advantage
- m. global strategy
- n. quota
- o. multidomestic strategy
- p. balance of payments
- q. comparative advantage

- ____ 28. ____ describes the fall of currency's value relative to other currencies.
- ____ 29. A nation's ____ is the rate at which currency can be exchanged for the currency of another nation.
- ____ 30. A(n) ____ is a tax levied on imported products.
- ____ 31. Within a(n) ____, participating countries impose no tariff on goods imported from member countries.
- ____ 32. ____ refers to selling goods abroad at a price lower than that charged in the domestic market.
- ____ 33. ____ are foreign-made products and services purchased by domestic consumers.
- ____ 34. A country has ____ in the marketing of a product if it has a monopolistic position or it produces the product at the lowest cost.
- ____ 35. ____ occurs when a foreign company hires local companies to produce, distribute, or sell goods and services.
- ____ 36. Selling U.S. soybeans to Japan is an example of U.S. ____.
- ____ 37. A(n) ____ allows a company to share risks, costs, profits, and management responsibilities with another company.
- ____ 38. A(n) ____ uses a standardized product and marketing strategy worldwide.
- ____ 39. The ____ was created to promote trade through financial cooperation, while eliminating barriers in the process.
- ____ 40. A country's ____ is the difference between its exports and imports.
- ____ 41. A(n) ____ develops and markets products to serve different needs and tastes of separate national markets.
- ____ 42. A nation can have a(n) ____ in a product if it can supply it more efficiently and at a lower price.
- ____ 43. A country's ____ is the overall flow of money into and out of a country.
- ____ 44. A limit on the amount of a particular product that a country can import during a specified time period is a(n) ____.

Essay

45. Define profit. Explain why you agree or disagree with the following statement: "The success of a business is measured only by the profit it earns."

Name: _____

ID: A

46. List the four factors of production and the corresponding factor payments.
47. What are the advantages of a diverse workforce?
48. What are business ethics and why are they important?
49. Explain how a company's unethical behavior can actually decrease the value of its business.
50. Differentiate between macroeconomics and microeconomics. What economic activities might you study under each?
51. What are the major differences between socialism and a mixed economic system?
52. Describe the four categories of unemployment.
53. Describe monetary policy. Who in the United States is in control of it and how does it work?
54. What is fiscal policy? How can fiscal policy affect economic conditions?
55. Why have U.S. firms become increasingly focused on international business?
56. Distinguish between absolute advantage and comparative advantage.
57. Suppose the U.S. dollar is getting stronger relative to the euro. Who benefits? Who is disadvantaged?
58. Identify and describe the major types of obstacles confronting global businesses.
59. What is a tariff? What are the purposes of the two categories of tariffs that a government would impose?
60. What is dumping? How do countries counteract this practice?
61. Discuss the advantages of the North American Free Trade Agreement (NAFTA).

REVIEW ONE

Answer Section

MATCHING

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| 1. | ANS: H | PTS: 1 | DIF: 2 | REF: p. 6 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 2. | ANS: F | PTS: 1 | DIF: 2 | REF: p. 6 |
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| 3. | ANS: A | PTS: 1 | DIF: 2 | REF: p. 19 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 4. | ANS: E | PTS: 1 | DIF: 2 | REF: p. 17 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 5. | ANS: C | PTS: 1 | DIF: 2 | REF: p. 8 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 6. | ANS: G | PTS: 1 | DIF: 2 | REF: p. 20 |
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| 7. | ANS: I | PTS: 1 | DIF: 2 | REF: p. 15 |
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| 8. | ANS: J | PTS: 1 | DIF: 2 | REF: p. 16 |
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| 9. | ANS: B | PTS: 1 | DIF: 2 | REF: p. 20 |
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| 10. | ANS: K | PTS: 1 | DIF: 2 | REF: p. 5 |
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| 11. | ANS: L | PTS: 1 | DIF: 2 | REF: p. 24 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 12. | ANS: D | PTS: 1 | DIF: 2 | REF: p. 9 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 13. | ANS: A | PTS: 1 | DIF: 2 | REF: p. 80 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 14. | ANS: B | PTS: 1 | DIF: 2 | REF: p. 78 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 15. | ANS: E | PTS: 1 | DIF: 2 | REF: p. 82 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 16. | ANS: I | PTS: 1 | DIF: 2 | REF: p. 65 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 17. | ANS: F | PTS: 1 | DIF: 2 | REF: p. 70 |
| | OBJ: TYPE: KN | TOP: AACSB Analytic | | |
| 18. | ANS: G | PTS: 1 | DIF: 2 | REF: p. 83 |
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| 19. | ANS: D | PTS: 1 | DIF: 2 | REF: p. 82 |
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| 20. | ANS: C | PTS: 1 | DIF: 2 | REF: p. 78 |
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21.	ANS: J	PTS: 1	DIF: 2	REF: p. 65
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23.	ANS: L	PTS: 1	DIF: 2	REF: p. 77
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29.	ANS: K	PTS: 1	DIF: 2	REF: p. 97
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30.	ANS: F	PTS: 1	DIF: 2	REF: p. 105
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31.	ANS: I	PTS: 1	DIF: 2	REF: p. 108
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32.	ANS: D	PTS: 1	DIF: 2	REF: p. 106
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33.	ANS: E	PTS: 1	DIF: 2	REF: p. 92
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34.	ANS: L	PTS: 1	DIF: 2	REF: p. 95
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35.	ANS: H	PTS: 1	DIF: 2	REF: p. 114
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36.	ANS: A	PTS: 1	DIF: 2	REF: p. 92
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40.	ANS: B	PTS: 1	DIF: 2	REF: p. 96
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41.	ANS: O	PTS: 1	DIF: 2	REF: p. 118
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42.	ANS: Q	PTS: 1	DIF: 2	REF: p. 95
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43.	ANS: P	PTS: 1	DIF: 2	REF: p. 96
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44. ANS: N PTS: 1 DIF: 2 REF: p. 105
OBJ: TYPE: KN TOP: AACSB Analytic

ESSAY

45. ANS:
Profit is the financial reward received by successful businesspeople who take the risks involved in creating and operating a business. In order to be successful in a private enterprise system, a business must earn a satisfactory profit; otherwise, the owners and investors will turn to more attractive opportunities. However, businesses today are expected to do more than earn a satisfactory profit -- they also have social and ethical responsibilities. In other words, businesses must behave responsibly in their dealings with employees, customers, suppliers, the general public, and even with their competitors.
- PTS: 1 DIF: 3 REF: p. 5 OBJ: TYPE: AP
TOP: AACSB Reflective Thinking
46. ANS:
The four factors, and the factor payment for each, are natural resources (rent), capital (interest), human resources (wages), and entrepreneurship (profit).
- PTS: 1 DIF: 2 REF: p. 6 | p. 8 OBJ: TYPE: KN
TOP: AACSB Analytic
47. ANS:
Studies show that diverse employee teams and workforces tend to perform tasks more effectively and develop better solutions to business problems than homogeneous employee groups. Also, a diverse workforce may improve management's understanding of customer needs and relationships with consumer groups.
- PTS: 1 DIF: 2 REF: p. 19 | p. 20 OBJ: TYPE: KN
TOP: AACSB Diversity
48. ANS:
Business ethics are standards of conduct and moral values that govern actions and decisions in the work environment. They are important because a company cannot prosper in the long run without considering ethics.
- PTS: 1 DIF: 1 REF: p. 32 | p. 33 OBJ: TYPE: KN
TOP: AACSB Ethics
49. ANS:
Although a fundamental goal of any business is to make a profit for its shareholders, the financial community demands that businesses behave ethically, as well as legally. When a firm fails in this responsibility (as evidenced by several recent corporate scandals), thousands of investors and consumers can suffer. Shareholders lose confidence in the company and sell shares, which deflates share value and, consequently, company value.
- PTS: 1 DIF: 2 REF: p. 56 OBJ: TYPE: AP
TOP: AACSB Ethics

50. ANS:

Macroeconomics deals with the economy as a whole, while microeconomics is concerned with the economic activities of individual consumers, families, and businesses. Macroeconomics addresses such issues as how an economy uses its resources, as well as government policies that affect people's standards of living.

PTS: 1 DIF: 3 REF: p. 65 | p. 68 OBJ: TYPE: AP
TOP: AACSB Reflective Thinking

51. ANS:

In a socialist economy, the government owns industries that are considered to be of vital importance, such as energy firms, major manufacturing firms, and transportation systems. Socialist countries allow limited private ownership of small businesses and industries that are not considered to be as vital. In a mixed economy, a strong private sector exists. It is much larger than the private sector in a socialist economy. In a mixed economy, some public enterprises operate as well. The rights to profits are stronger in a mixed economy and even public enterprises are expected to at least break even. Worker incentives are also stronger in a mixed economy than they are in a socialist economy.

PTS: 1 DIF: 3 REF: p. 74 | p. 76 OBJ: TYPE: AP
TOP: AACSB Reflective Thinking

52. ANS:

The four categories of unemployment are:

- a. frictional workers who are temporarily out of work but are looking for a job.
- b. seasonal workers laid off from a seasonal job.
- c. cyclical workers who are laid off due to an economic contraction (recession).
- d. structural workers who have been out of work for a long period of time with little hope of finding a similar job.

PTS: 1 DIF: 3 REF: p. 80 | p. 82 OBJ: TYPE: KN
TOP: AACSB Analytic

53. ANS:

Monetary policy in the U.S. is controlled by the Federal Reserve System. It involves reducing the money supply that causes higher interest rates and slows down the economy, or increasing the money supply to lower interest rates and stimulate economic growth.

PTS: 1 DIF: 2 REF: p. 82 OBJ: TYPE: AP
TOP: AACSB Reflective Thinking

54. ANS:

Fiscal policy deals with taxing and spending decisions made by the government. Generally, increases in taxes or decreases in spending will tend to reduce inflation and slow economic growth. Increases in spending or decreases in taxes often have the opposite effect.

PTS: 1 DIF: 2 REF: p. 82 OBJ: TYPE: AP
TOP: AACSB Reflective Thinking

55. ANS:

In the past, most American firms felt that the huge U.S. domestic market was all they needed. Today, the domestic market is open to foreign firms, and American consumers seem to favor imported goods over domestic goods in many markets. On the other side, many American firms have found that foreign markets represent a major opportunity for expanding their markets. Many well-known American firms derive more than half their sales and/or profits from foreign markets. Another benefit of these expanded markets is the possibility of enjoying economies of scale in production and marketing.

PTS: 1 DIF: 3 REF: p. 92 | p. 94 OBJ: TYPE: AP
TOP: AACSB Reflective Thinking

56. ANS:

Absolute advantage is when a country makes a product for which it can maintain a monopoly or produce the product at a lower cost than any competitor. Comparative advantage occurs when a country can supply a product more efficiently and at a lower price than it can supply other goods, compared with the outputs of other countries.

PTS: 1 DIF: 2 REF: p. 95 OBJ: TYPE: KN
TOP: AACSB Analytic

57. ANS:

If the dollar is getting stronger relative to the euro, it means that one dollar can be converted into more euros. For example, if one dollar could be converted into one euro a month ago, while today one dollar can be converted into 1.10 euros, then the dollar has gotten stronger relative to the euro. Generally, anyone who wants to convert dollars into euros wants a strong dollar. This would include U.S. travelers to Europe, American firms with European operations, and European exporters. On the other hand, those who have to convert euros into dollars are hurt. American exporters can also be hurt because a strong dollar makes U.S. goods more expensive to Europeans.

PTS: 1 DIF: 3 REF: p. 97 | p. 98 OBJ: TYPE: AP
TOP: AACSB Reflective Thinking

58. ANS:

The major types of obstacles confronting global businesses are cultural barriers, physical barriers, and tariffs and other trade restrictions. Cultural barriers refer to differences in language, religion, social values, and buying habits that make it difficult for firms from one nation to succeed in another country. For example, business practices considered acceptable in the United States are often considered rude or inappropriate by businesspeople in other nations. Physical barriers refer to difficulties associated with location, distance, terrain, and transportation. Tariffs are taxes on goods imported into a nation. While some tariffs are levied for the purpose of raising revenue, most are protective -- they are designed to increase the price of foreign goods and place them at a competitive disadvantage. Other trade restrictions include quotas (numerical limits on the amount of a good that can be imported), and exchange controls (which require firms to buy and sell foreign exchange only through a nation's central bank or some other designated agency).

PTS: 1 DIF: 3 REF: p. 99 | p. 106
OBJ: TYPE: AP TOP: AACSB Reflective Thinking

59. ANS:

A tariff is a tax, surcharge, or duty on foreign products. There are two general purposes of tariffs. Revenue tariffs are merely designed to raise revenue for the government. Protective tariffs are designed to raise the prices of imported products so that they match or exceed the price of domestically produced products. They are designed to protect domestic producers from foreign imports by putting imported goods at a competitive disadvantage.

PTS: 1 DIF: 3 REF: p. 105 OBJ: TYPE: AP

TOP: AACSB Reflective Thinking

60. ANS:

One form of dumping is selling a product in another country for less than the cost of production. In another category of dumping, a company exports a large quantity of a product at a lower price than the same product in the home market and drives down the price of the domestic product. Countries often impose quotas to counteract dumping.

PTS: 1 DIF: 2 REF: p. 106 OBJ: TYPE: KN

TOP: AACSB Analytic

61. ANS:

NAFTA eliminates all trade barriers and investment restrictions between Canada, Mexico, and the United States. The act opens up a market of 435 million people and a total Gross Domestic Product of \$14 trillion. It makes it easier for small businesses to operate in all three countries by simplifying shipments of goods across borders.

PTS: 1 DIF: 2 REF: p. 109 OBJ: TYPE: KN

TOP: AACSB Analytic