

1. Telemarketing and selling on the Internet are both examples of direct marketing.	a. True	b. False		
2. Business-to-business salespeople sell to wholesalers, retailers, and manufacturers.	a. True	b. False		
3. An advantage of an S Corporation over a conventional corporation is that the profits of the business are taxed as regular personal income of the owners, thus avoiding the problem of double taxation.	a. True	b. False		
4. In a merger, two firms combine to form one company.	a. True	b. False		
5. Today, franchising accounts for about 40 percent of the national retail sales in the United States.	a. True	b. False		
6. The franchisee often must pay the franchiser a share of profits or a percentage commission on sales known as a royalty.	a. True	b. False		
7. Although entrepreneurs frequently earn huge profits for themselves, their impact on society as a whole is quite small.	a. True	b. False		
8. American history illustrates many cases in which entrepreneurs started small businesses that grew into major corporations employing thousands of workers.	a. True	b. False		
9. In general, entrepreneurs are more interested in personal achievement than in power.	a. True	b. False		
10. To encourage more entrepreneurs in the United States, the government passed the Immigration Act of 1990.	a. True	b. False		
11. To be classified as a small business, a firm must have fewer than 100 employees.	a. True	b. False		
12. Sharon decided to work for a floral design shop before opening her own shop. This was a poor decision because she used her labor to make someone else successful.	a. True	b. False		
13. Because it is written before the business even begins to operate, a business plan by its very nature is vague.	a. True	b. False		
14. Venture capitalists can be excellent sources of capital for small business since they provide financing in exchange for a very small stake in the company.	a. True	b. False		
15. ISO 9000 refers to a set of international standards for quality management and assurance.	a. True	b. False		
16. The total value of a country's output in a given year is known as the nation's gross domestic product (GDP).	a. True	b. False		
17. Efforts by the Federal Reserve System to control the money supply and interest rates are known as monetary policy.	a. True	b. False		

18. A patent gives inventors exclusive rights to their inventions for 20 years.	a. True	b. False		
19. The intent of the Sherman Antitrust Act of 1890 was to encourage the growth of large business organizations in the U.S. in order to compete with more established firms in Europe.	a. True	b. False		
20. Theory Y assumes that all workers are motivated more by money than any other factor.	a. True	b. False		
21. A basic difference between businesses and organizations such as charities and government agencies is that businesses	a. seek to earn a profit.	b. produce tangible goods rather than providing services.	c. have a limited life.	d. must have a board of directors.
22. Entrepreneurs are characterized mainly by their	a. willingness to accept the risks involved in starting and managing a business.	b. high level of scientific and technical expertise.	c. personal wealth.	d. experience in running large, complex organizations.
23. In the United States, the level of taxes and government regulations	a. influences where entrepreneurs locate their businesses.	b. is the same in all areas of the country.	c. seems to have no effect on the creation of wealth.	d. is so high that the American economy is now classified as pure socialism.
24. The population of the United States is diverse, including people from many different racial and ethnic groups. Optimizing the contributions of these various cultural groups is known as	a. multiculturalism.	b. ethnocentrism.	c. macrocentrism.	d. social Darwinism.
25. Which of the statements about demography is most accurate. Demographic studies	a. are important for the government, but not for private businesses.	b. suggest that the number of two-income families will decline in the future.	c. provide business and individuals key insights into business and career opportunities of the future.	d. are an important source of information about weather and climate.
26. The agreement between the United States, Canada, and Mexico to remove barriers that restricted trade among these nations is known as	a. NAFTA.	b. OPEC.	c. NATO.	d. the Trilateral Agreement.
27. Given the current state of global competition,	a. U.S. firms that produce quality products are able to charge premium prices for their products.	b. consumers now expect high quality products and good service at low prices.	c. the U.S. government must subsidize American farmers and manufacturers, as well as foreign producers, if they are to survive.	d. U.S. firms should be able to dominate most foreign markets because the U.S. is the only nation where high quality is achieved in most industries.
28. Under capitalism	a. most of the means of production and distribution are privately owned and operated for profit.	b. distribution of wealth is the primary function of government.	c. utilities, health care, education, and other services are totally controlled by the state.	d. the market can only operate within a system of strict regulations and central planning.

29. The quantity of a good or service that manufacturers or owners are willing to sell at different prices during a specific time period is known as the	a. supply of that product.	b. demand for that product.	c. equilibrium function for that product.	d. production possibilities curve for that product.
30. A typical demand curve suggests that	a. as people earn more income, they buy more of a good.	b. as supply increases, the amount purchased decreases.	c. people tend to buy more of a good as its price decreases.	d. people tend to buy more of a good than they really need.
31. One advertising strategy used by McDonald's is to convince potential buyers that their products are different from those of their competitors. The goal of this strategy is to achieve	a. product differentiation.	b. an equilibrium price.	c. a perfectly competitive market.	d. quantity supplied that is greater than the quantity demanded.
32. The primary objective of monetary policy is to	a. help the federal government finance its deficit.	b. keep interest rates low.	c. keep the value of the dollar high in international currency markets.	d. keep the economy growing without causing inflation.
33. Which theory states that a nation should produce and sell goods that it produces most efficiently to other countries, and buy goods produced more efficiently by other countries?	a. Comparative advantage	b. Absolute advantage	c. Factor advantage	d. Bilateral advantage
34. The president of the American Auto Parts Corporation recently testified before members of Congress, urging them to limit the flow of imported automobile parts into the United States. She contended that these imports were priced lower than the foreign producers were charging in their own countries. She believes these foreign producers are guilty of	a. dumping.	b. reverse exporting.	c. free trade.	d. bilateral trade surplus.
35. Pepsi Cola has entered into a long-term contract with a South African beverage business. The contract calls for the South African firm to produce and market Pepsi Cola in South Africa. Pepsi will receive a royalty on each case of soda sold. This is an example of	a. licensing.	b. a joint venture.	c. a foreign subsidiary.	d. countertrading.
36. U.S. business people have been described as having ethnocentric views in their dealings with other countries. This means that American business people	a. feel that they cannot compete in foreign countries without behaving unethically.	b. are very open to new ideas.	c. believe our culture is superior to all others.	d. take pride in the many ethnic groups that make America a "melting pot."
37. Kwantum Computers attempts, where possible, to communicate the same promotional message about their product everywhere in the world their product is sold. This is an example of	a. international foolishness.	b. global marketing.	c. multinational selling.	d. countertrading.
38. The U.S. government has announced a 5 million-pound annual limit on beef imported from the country of Argentina. This type of trade restriction is called a/an	a. embargo.	b. revenue tariff.	c. import quota.	d. export cap.
39. A major concern voiced by U.S. critics of the North American Free Trade Agreement (NAFTA) is that it would result in	a. higher prices for consumer goods.	b. loss of jobs in the U.S. economy.	c. loss of national identity.	d. a trade war between the United States and Mexico.

40. Adam's Apple Corporation ships all of the apples from its orchards in Washington to a single buyer in Japan. The firm's entire profits are derived from this international transaction. Adam's Apple Corporation	a. is a clear example of a multinational corporation.	b. is not a multinational corporation.	c. is contributing to the U.S. balance of trade deficit.	d. will benefit greatly from the establishment of NAFTA.
41. Obeying the law is _____ ethical behavior.	a. the same as	b. the first step towards	c. the opposite of	d. the last step towards
42. Considering the impact on other involved individuals before making decisions is consistent with _____ behavior.	a. legal	b. anti-social	c. ethical	d. self-motivated
43. Attempting to misrepresent your firm's income when calculating your tax liability is an example of	a. a good business practice.	b. tax accountants at their best.	c. illegal behavior.	d. profit maximization.
44. The most basic step in an ethics-based management system is the question	a. "Is it legal?"	b. "Is it balanced?"	c. "How will it make me feel about myself?"	d. "Is it ethical?"
45. All of the following would be considered ethical matters in a business, except	a. overstating an expense report.	b. forecasting sales for the next year.	c. withholding product safety information.	d. ignoring unsafe working conditions.
46. Which of the following describes charitable donations by corporations to nonprofit organizations?	a. Corporate philanthropy	b. Corporate responsibility	c. Corporate policy	d. Corporate structure and function
47. The position a firm takes on issues that affect the corporation as well as society is known as its	a. corporate philanthropy.	b. corporate policy.	c. corporate ethnicity.	d. corporate philosophy.
48. _____ encompasses various issues such as setting minority hiring practices, manufacturing safe products, and minimizing pollution.	a. Corporate responsibility	b. Corporate philanthropy	c. Corporate ethnocentrism	d. Corporate structure and function
49. People who can affect or are affected by the achievement of an organization's objectives are referred to as	a. lienholders.	b. stockholders.	c. stakeholders.	d. leaseholders.
50. _____ refers to rules, statutes, codes, and regulations established to provide a legal framework within which business may be conducted.	a. Common law	b. Statutory law	c. Bankruptcy law	d. Business law
51. The body of law created by court decisions rendered by judges is called _____ law.	a. business	b. statutory	c. common	d. tort
52. A patent gives inventors exclusive rights to their inventions for	a. 20 months.	b. 17 years.	c. 20 years.	d. the lifetime of the inventor plus 50 years.
53. The NBC peacock and the Golden Arches of McDonald's are examples of a _____.	a. trademark	b. submarine patent	c. copyright	d. copy protection
54. A set of laws designed to eliminate differences among state regulations affecting business and to simplify interstate commerce is called	a. common law.	b. statutory law.	c. standardized comprehensive rules.	d. the uniform commercial code.
55. The warranty you receive in the box with a new toaster or VCR is a/an	a. implied warranty.	b. express warranty.	c. uniform warranty.	d. commercial warranty.
56. Which of the following prohibited monopolies' attempts to monopolize, or restrain any part of trade or commerce?	a. Clayton Act	b. Sherman Act	c. Robinson-Patman Act	d. Wheeler-Lea Amendment
57. The social movement designed to increase and strengthen the rights and powers of buyers in business transactions is called	a. environmentalism.	b. capitalism.	c. socialism.	d. consumerism.

58. The legal process by which an individual is relieved of his or her financial obligations by a court of law is called	a. financial discharge.	b. bankruptcy.	c. debtor relief.	d. creditor discharge.
59. Johnson Products charges larger firms a lower price for goods than it charges small firms. This practice is called price	a. discrimination.	b. reversal.	c. cutting.	d. maintenance.
60. In the United States today, the most common form of business ownership is the	a. partnership.	b. corporation.	c. joint venture	d. sole proprietorship.
61. A business organization that is owned, and usually managed, by one person is a	a. closed corporation.	b. subchapter S corporation.	c. sole proprietorship.	d. limited partnership.
62. All of the following are considered advantages of being a sole proprietorship except	a. ease of starting and ending the business.	b. retention of profits.	c. no special taxes.	d. limited liability.
63. One of the primary disadvantages of owning a sole proprietorship is the	a. possibility of limited liability.	b. heavy tax liability that must be assumed.	c. often overwhelming time commitment required of the owner.	d. None of the above
64. Any debts or damages incurred by a firm organized as a sole proprietorship are	a. the sole responsibility of the owner.	b. limited to the amount the owner has invested in the firm.	c. paid for out of a reserve contingency fund that sole proprietors are required by law to set up.	d. normally covered by liability insurance.
65. Eiroy Hatchard is the sole proprietor of a gift shop in a small shopping center. Because he is a sole proprietor, Eiroy's profit from the business is	a. totally tax-free.	b. taxed only once, as Eiroy's personal income.	c. taxed twice, once as business income, then again as Eiroy's personal income.	d. taxed only if and when it is distributed to investors.
66. A partner who invests money in a business, but who does NOT take an active role in management or assume liability for the firm's losses is known as a/an	a. implied partner.	b. limited partner.	c. partial partner.	d. corporate partner.
67. When entering into a new partnership, the partners should	a. avoid putting their agreement in writing since this would limit the flexibility of the partnership.	b. put the partnership agreement in writing.	c. plan to incorporate as soon as possible.	d. agree to put the first year's profits back into the partnership.
68. When comparing partnerships to sole proprietorships, an advantage of partnerships is that they	a. are less risky, because each partner is responsible for only a specified fraction of the firm's debts.	b. are easier to terminate.	c. cost less to organize.	d. give the firm a stronger financial foundation.
69. Which of the following is an advantage of the corporate form of business when compared to sole proprietorships and partnerships?	a. Ease of formation	b. Lower taxes	c. Simplified paperwork	d. Limited liability of owners
70. Marie Lively recently invested \$4,000 that her aunt had left her in stock in the McBun Development Corporation. Marie has become a/an _____ of McBun Corporation.	a. owner	b. manager	c. creditor	d. partner
71. The result of two firms forming one company is called a	a. joint tenancy.	b. tenancy in common.	c. merger.	d. voluntary directorship.

72. When one company buys the property and obligations of another company, the purchase is known as a/an	a. cooperative.	b. hostile takeover.	c. leveraged buyout.	d. acquisition.
73. A/An _____ is an arrangement whereby someone with a good idea for a business sells the rights to use the business name and sell a product or service to others in a given territory.	a. conditional grant	b. franchise agreement	c. trade contract	d. extended ownership agreement
74. A _____ is the share of profits or percentage of sales a franchisee pays to a franchiser.	a. royalty	b. dividend	c. premium	d. co-pay
75. An entrepreneur is someone who	a. manages a business for someone else.	b. owns controlling interest in the stock of a major corporation.	c. manages a businesses that operates in more than one country.	d. accepts the risk of starting and running a business.
76. All of the following are characteristics of successful entrepreneurs except	a. self-directed.	b. tolerant of uncertainty.	c. willingness to accept failure.	d. action-oriented.
77. One feature of the Immigration Act of 1990 was the	a. creation of "investor visas" to attract more immigrants with entrepreneurial ability.	b. establishment of a government program to teach American workers displaced by immigration how to start their own businesses.	c. establishment of guidelines to help entrepreneurs recruit legal aliens as a source of low cost labor.	d. exchange program that allows American entrepreneurs to live in Europe temporarily in order to open up foreign branches for their businesses.
78. Enterprise zones are areas which	a. the government has set aside for use by major corporations that promise to spend at least \$10 million to create new jobs.	b. feature low taxes and government support in an effort to encourage entrepreneurship.	c. the government has recognized as having the fastest growth rates in the country.	d. are characterized by government ownership of small businesses.
79. A creative person who works within a corporation to develop new products and generate new profits is known as a/an	a. arbitrator.	b. arbitrageur.	c. extrapolator.	d. intrapreneur.
80. A look at the history of the United States suggests that entrepreneurs	a. often have created great personal wealth for themselves, but have had a minor impact on the U.S. economy as a whole.	b. have started many small firms that later became major corporations employing thousands of workers.	c. have been successful only when they worked in partnership with the federal government.	d. played an important role in the U.S. when the economy was small but are less important now that the U.S. is the world's dominant economic power.
81. Which of the following elements are generally found to be a part of entrepreneurial teams?	a. Creative, marketing, and production skills	b. Venture financing, tax benefits, and production economies	c. Scientific abilities, capital investment, and marketing skill	d. Reliance on risk, debt financing, and international experience
82. A detailed written statement that describes the nature of the business, the target market, the advantages the business will have in relation to competition, and the resources and qualifications of the owner is referred to as the	a. business plan.	b. ratio analysis.	c. profit and loss statement.	d. professional plan.

83. Other than personal savings, the largest source of capital to entrepreneurs comes from	a. large banks.	b. the Small Business Administration.	c. state governments.	d. individual investors.
84. A participation loan from the SBA is a	a. low cost loan that is only made to entrepreneurs who have participated in the SBA's training programs.	b. combination of a direct loan from the SBA and a loan guarantee from a financial institution.	c. low interest loan made to firms that agree to participate in a minority hiring program.	d. loan made to a firm in financial difficulty with the provision that a manager appointed by the SBA consultant can participate in the firm's management until the financial performance improves.
85. When preparing the executive summary section of a business plan, it is important to remember that	a. computer software programs will provide you with the information needed to complete this section.	b. it must grab the attention of bankers who receive many business plans every day.	c. you should list all the qualifications and education of the executive entrepreneur.	d. a perfect business plan starts in this section.
86. _____ is the process used to accomplish organizational goals through planning, organizing, leading, and controlling people and other resources.	a. Socialization	b. Justification	c. Preparation	d. Management
87. Which of the following activities is part of the planning function of a manager?	a. Assigning a particular worker to do a specific task.	b. Looking at market forecasts to identify future business opportunities and challenges.	c. Talking to an employee whose job performance has been unsatisfactory.	d. Conducting a job interview with a potential new employee.
88. A _____ is an overall explanation of why an organization exists and where it is trying to head.	a. tactical plan	b. prime directive	c. corporate charter	d. vision
89. Employees often work with managers to design a/an _____ which outlines the fundamental purposes of the organization.	a. objective function	b. priority hierarchy	c. mission statement	d. corporate blue book
90. Douglas McGregor described two very different managerial attitudes about workers, which he called	a. the positive view and the negative view.	b. the macro perspective and the micro perspective.	c. Theory X and Theory Y.	d. individualism and collectivism.
91. Theory _____ sees workers as being lazy and unwilling to accept responsibility.	a. A	b. X	c. Y	d. Z
92. An attempt by marketers to persuade consumers to participate in an exchange is called	a. promotion.	b. market research.	c. unilateral sales.	d. benefit segmentation.
93. An event where many marketers set up displays to be seen by potential customers is called a	a. promotional event.	b. direct marketing show.	c. public relations event.	d. trade show.
94. The most important internal sales promotion efforts are directed at	a. customers.	b. salespeople.	c. virtual trade shows.	d. accountants.
95. The most selective advertising medium for reaching a specific target market is	a. radio.	b. newspapers.	c. television.	d. direct mail.
96. All of the following are components of an organization's promotional mix except	a. public relations.	b. sales promotions.	c. personal selling.	d. company trademarks.

97. The technology revolution has	a. not really affected advertising.	b. not had as much impact on advertising as it has on other areas of business.	c. put more control in the hands of the businessperson.	d. empowered customers with greater involvement and control.
98. What are the "4 P's of Marketing"?	a. Product, promotion, place, position	b. Position, product, promotion, price	c. Promotion, price, place, position	d. Price, product, promotion, place
99. The letters GE in a circle is General Electric's	a. generic name.	b. label.	c. trademark.	d. brand.
100. Knockoff brands are _____ copies of national brand name goods.	a. exact	b. clever	c. illegal	d. licensed