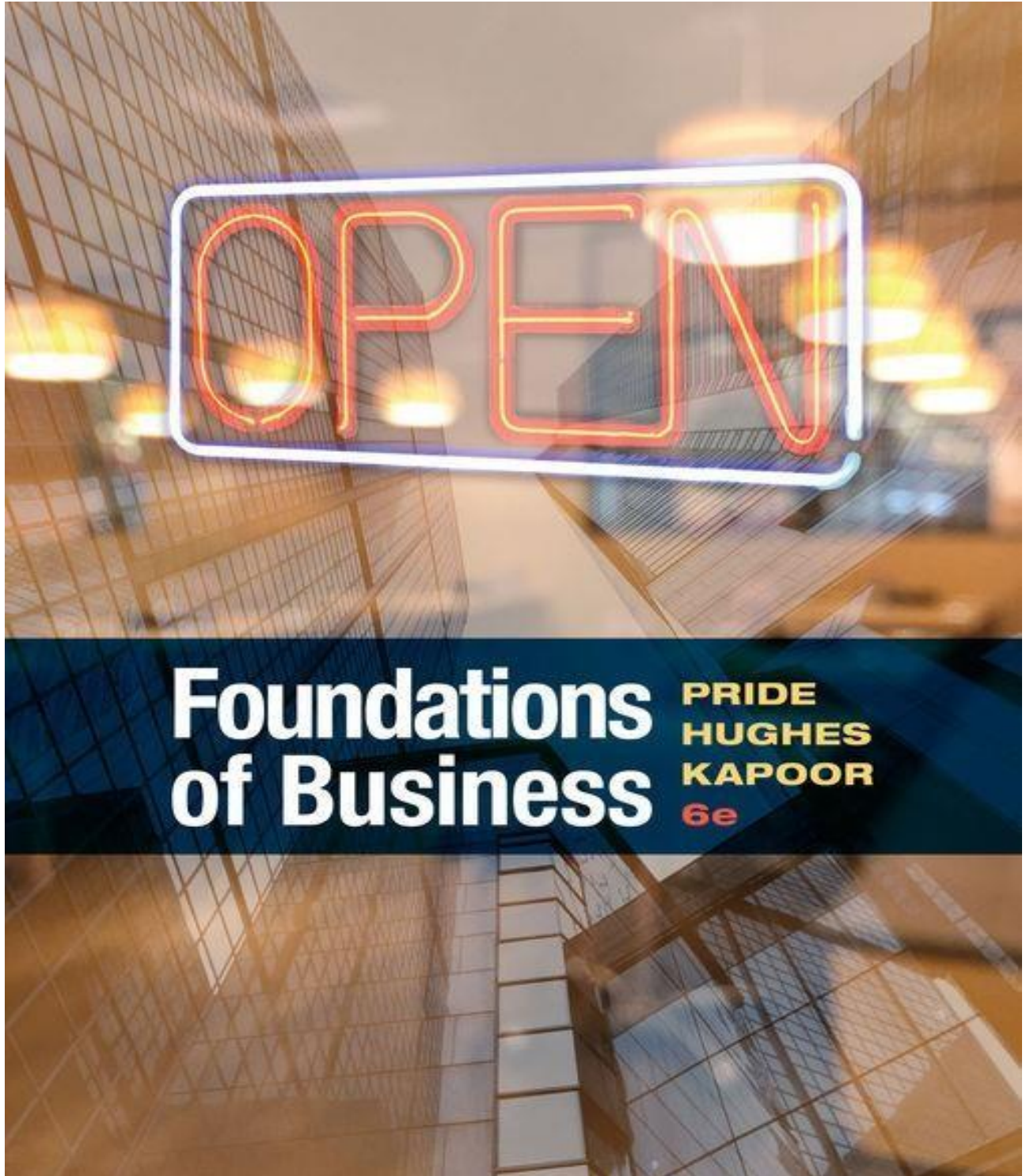


# TEST BANK



**Foundations  
of Business**

**PRIDE  
HUGHES  
KAPOOR  
6e**

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1. In your own words, describe what you have to offer to a potential employee of a company that you desire to work for.

*ANSWER:* Answers will vary. Potential student responses may include communication, technical, or computer skills. They may provide specific skills such as accounting or auditing experience or education, expertise with Microsoft Office including Excel and/or Access, or expertise in social media and social networking. Students may mention internship experience or quality experience while completing their degree.

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* pp. 4-6

*LEARNING OBJECTIVES:* FOBU.PRID.15.1-1

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*TOPICS:* Your Future in the Changing World of Business

*KEYWORDS:* Bloom's: Comprehension

2. How can online networking improve your chances of success in the business world?

*ANSWER:* Answers will vary. It may be best to make the most of online networking by identifying and joining sites where you can connect with prospective employers, current and former classmates, and others who may help you spread the word of a job search. Online networking can also advance your career by being a part of sites such as Facebook, Twitter, and LinkedIn, among others.

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 5

*LEARNING OBJECTIVES:* FOBU.PRID.15.1-1

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*TOPICS:* Your Future in the Changing World of Business

*KEYWORDS:* Bloom's: Comprehension

3. An entrepreneur combines four kinds of resources into a business. What would be the effect on the business if any one were left out?

*ANSWER:* The four kinds of resources include material resources (raw materials), human resources (people), financial resources (capital and money), and informational resources (information to make decisions and to evaluate a firm's activities). Every business must work to organize these four resources. If one resource is not available or is left out, the business will, most likely, fail since it is the combination and balancing of the four resources that creates business success. For example, a manufacturer cannot produce products if there are no raw materials. And the other three resources are just as important.

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 8

*LEARNING OBJECTIVES:* FOBU.PRID.15.1-2

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*TOPICS:* Business: A Definition

*KEYWORDS:* Bloom's: Comprehension

4. What is profit and why is it important to a business?

*ANSWER:* Profit is what remains after all business expenses have been deducted from sales revenue. Sales revenue is the money received from customers in exchange for goods or services. In addition, all businesses have expenses which are deducted from revenue, thus, leaving the profit. A negative profit, called a loss, cannot be sustained long term for a business to survive. If a firm is operating at a loss, management must take action to eliminate the loss, increase sales, and reduce expenses or the firm may be forced to file for bankruptcy protection or go out of business.

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* pp. 9-10

*LEARNING OBJECTIVES:* FOBU.PRID.15.1-2

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*TOPICS:* Business: A Definition

*KEYWORDS:* Bloom's: Comprehension

5. What three activities must a business perform in order to be successful? Briefly describe each of these and why each is essential to business success.

**ANSWER:** A business is the organized effort of individuals to produce and sell, for a profit, the goods and services that satisfy society's needs. For a business to be successful, it must (1) be organized; (2) make a profit on the goods or services it sells to its customers; and (3) meet the needs of its customers. If one or more of the three elements is missing, the business will not be a success.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**REFERENCES:** p. 8  
**LEARNING OBJECTIVES:** FOBU.PRID.15.1-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** Business: A Definition  
**KEYWORDS:** Bloom's: Comprehension

6. Explain how the notion of *scarcity* is related to personal as well as business decision making.

**ANSWER:** Answers will vary. Scarcity refers to the lack of resources—money, time, natural resources, etc.—that are needed to satisfy a want or need. Because resources are always scarce, businesses as well as individuals must make decisions based on resource availability. Personal decisions such as whether to buy a \$5,000 used car versus a \$18,500 new car are usually driven by the scarcity of resources and the ability to pay based on the scarcity. Business decisions are similar.

**POINTS:** 1  
**DIFFICULTY:** Challenging  
**REFERENCES:** p. 11  
**LEARNING OBJECTIVES:** FOBU.PRID.15.1-3  
**NATIONAL STANDARDS:** United States - AACSB: Reflective Thinking  
**TOPICS:** Types of Economic Systems  
**KEYWORDS:** Bloom's: Application

7. Explain how the basic economic questions are answered in capitalistic and command economies.

**ANSWER:** The four basic economic questions are (1) what goods and services will be produced; (2) how will they be produced; (3) for whom will they be produced; and (4) who controls the factors of production. In a capitalistic economy, supply and demand is primarily driven by the market and what price a product or service will bring. In a capitalistic economy, businesses and individuals answer the four basic economic questions. In a command economy, the government decides what goods and services will be produced, how they will be produced, and at what price they will be offered.

**POINTS:** 1  
**DIFFICULTY:** Challenging  
**REFERENCES:** pp. 11-15  
**LEARNING OBJECTIVES:** FOBU.PRID.15.1-3  
**NATIONAL STANDARDS:** United States - AACSB: Reflective Thinking  
**TOPICS:** Types of Economic Systems  
**KEYWORDS:** Bloom's: Analysis

8. Why do we say that the U.S. economy is a mixed economy?

**ANSWER:** The United States economy exhibits elements of both capitalism and socialism, and, therefore, can be deemed a mixed economy. The U.S. government, for example, participates in the economy as more than simply an umpire or rule maker. The U.S. government participates in the four basic economic questions—what, how, for whom, and who. For example, the government is involved in public schools, social services including subsidized childcare or job-search assistance, and public-private partnerships such as with hospitals or research institutes.

**POINTS:** 1

**DIFFICULTY:** Moderate

**REFERENCES:** p. 13

**LEARNING OBJECTIVES:** FOBU.PRID.15.1-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** Types of Economic Systems

**KEYWORDS:** Bloom's: Comprehension

9. How does socialism differ from communism?

**ANSWER:** In a socialist economy, the key industries are owned and controlled by the government. Private ownership of smaller businesses is often permitted in socialist economies. In a communist society, all workers contribute to the economy through government ownership, and management. In a communist economy, the four basic economic questions—what, how, for whom, and who—are answered through centralized government plans.

**POINTS:** 1

**DIFFICULTY:** Challenging

**REFERENCES:** pp. 14-15

**LEARNING OBJECTIVES:** FOBU.PRID.15.1-3

**NATIONAL STANDARDS:** United States - AACSB: Reflective Thinking

**TOPICS:** Types of Economic Systems

**KEYWORDS:** Bloom's: Analysis

10. Why is productivity important? How can a nation's productivity rate be improved?

**ANSWER:** Productivity is the average level of output per worker per hour. An increase in productivity results in economic growth because a larger number of goods and services are produced by the labor force. Increased productivity growth helps an economy's businesses to compete more effectively in the global environment due to more goods or services being produced at a lower cost. Productivity rates can be improved through technology, advanced employee training, as well as transferring routine functions to other locations, possibly through the Internet.

**POINTS:** 1

**DIFFICULTY:** Moderate

**REFERENCES:** pp. 15-16

**LEARNING OBJECTIVES:** FOBU.PRID.15.1-4

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** Measuring Economic Performance

**KEYWORDS:** Bloom's: Comprehension