

TEST BANK



BUSINESS



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MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Which of the following points are made in the opening case entitled "Inflation or Deflation?" 1) _____
- A) Predictions about inflation are problematic because of self-fulfilling prophecies, but the same problem does not exist with respect to deflation.
 - B) Deflation is almost a certainty given the weaknesses that were evident in the Canadian economy as a result of the recession.
 - C) Japan experienced deflation in the 1990's, but is now coping with inflation.
 - D) A sudden decline in commodity prices in 2008 caused the Bank of Canada to lower interest rates.
 - E) The rate of inflation increased sharply in 2009 because the Canadian government injected billions of dollars into the economic system in order to reduce the negative effects of the recession.
- 2) In terms of organizational boundaries and environments, which is correct? 2) _____
- A) No single firm can control the environment.
 - B) Most organizations have a single environment, but some have multiple environments they must cope with.
 - C) Large business firms are heavily influenced by events in the external environment, but small business firms are much less influenced.
 - D) The major elements of the external environment are marketing, finance, production, and human resources.
 - E) The most important features of the external environment are the political and social aspects.
- 3) Distributors who are in a grocery store restocking shelves are normally considered part of the _____ rather than the _____. 3) _____
- A) environment; organization
 - B) environment; culture
 - C) organization; environment
 - D) culture; store
 - E) None of these are correct.
- 4) The _____ consists of everything outside of an organization's boundaries that might affect it. 4) _____
- A) national debt
 - B) external environment
 - C) enterprise resource
 - D) annual deficit
 - E) gross domestic product
- 5) A(n) _____ separates the organization from its environment. 5) _____
- A) integration
 - B) enterprise resource
 - C) aggregate output
 - D) process boundary
 - E) organizational boundary
- 6) How might moderate unemployment levels in the general economy affect a company like McDonald's? 6) _____
- A) Few people will be able to afford to eat out and McDonald's will have to pay higher wages to attract employees.
 - B) Most people will be able to afford to eat out, but McDonald's will have to pay higher wages

to attract employees.

- C) Very few people will be able to afford to eat out, but McDonald's will be able to pay workers less than minimum wage.
 - D) Most people will be able to afford to eat out and McDonald's will be able to pay lower wages and still attract employees.
 - E) Few people will be able to afford to eat out and McDonald's will be able to pay lower wages and still attract employees.
- 7) How might low inflation levels in the general economy affect a company like McDonald's? 7) _____
- A) McDonald's will pay relatively constant prices for supplies and will charge customers more for its products.
 - B) McDonald's will pay higher prices for supplies, but will be unable to increase the price paid by customers.
 - C) McDonald's will pay much higher prices for supplies and will charge customers more for its products.
 - D) McDonald's will pay higher prices for supplies and will charge customers more for its products.
 - E) McDonald's will pay relatively constant prices for supplies, but will be unable to increase the price paid by customers.
- 8) The three key goals of the Canadian economic system include 8) _____
- A) high interest rates, economic stability, full employment.
 - B) economic growth, economic stability, low employment.
 - C) economic growth, economic stability, full employment.
 - D) inflation growth, economic instability, low employment.
 - E) economic growth, inflation, full employment.
- 9) Agricultural efficiency has resulted in 9) _____
- A) an increase in the number of people employed in the industry.
 - B) Canadians needing more farms.
 - C) a decrease in the number of people employed in the industry.
 - D) Canadians contributing more resources to farms.
 - E) none of these.
- 10) Since the increase in unemployment in a small Atlantic Canadian town, retailers have noticed that sales have decreased. The retailers are being affected by which element of the external environment? 10) _____
- A) Environmental
 - B) Global
 - C) Economic
 - D) Socio-cultural
 - E) Political-legal
- 11) At one time, about _____ of the population of Canada was involved in producing the food that we needed; today less than _____ percent of the population works in agriculture. 11) _____
- A) half; 2.5
 - B) four-fifths; 3
 - C) half; 2
 - D) one-third; 5
 - E) three-quarters; 2.5
- 12) Agricultural production has _____ because _____. 12) _____

- A) increased; Canada imports more agricultural products
- B) declined; fewer Canadians are working in agriculture
- C) increased; more people are involved in farming
- D) remained unchanged; there have been relatively few changes in agricultural technology
- E) grown; we have increased total output in that sector

- 13) The pattern of short-term ups and downs in the economy is known as _____ 13) _____
- A) recession.
 - B) gross domestic product.
 - C) aggregate output.
 - D) the business cycle.
 - E) economic growth.
- 14) The main measure of growth in an economic system is _____ 14) _____
- A) standard of living.
 - B) aggregate output.
 - C) gross domestic product.
 - D) gross national product.
 - E) the business cycle.
- 15) Canada's GDP is about _____ 15) _____
- A) \$575 billion.
 - B) \$1.6 trillion.
 - C) \$8.7 trillion.
 - D) \$1 trillion.
 - E) \$2.7 trillion.
- 16) Sales had been low at Stephen's Home Office Supplies for several months, but then business starting picking up again. Stephen's business went through which two phases of the business cycle? _____ 16) _____
- A) Recovery and peak
 - B) Recession and trough
 - C) Peak and recession
 - D) Trough and recovery
 - E) Any of these answers could be correct.
- 17) Which statement is true with regard to the standard of living? _____ 17) _____
- A) It is improved when high-end stores stock expensive merchandise.
 - B) It is unaffected by business productivity.
 - C) It is comparable for every citizen in every country.
 - D) It is dependent on the size of the city in which one lives.
 - E) It is the amount and quality of goods and services that people can buy with their money.
- 18) Productivity is _____ 18) _____
- A) a measure of economic growth that compares how much a system produces with the resources needed to produce it.
 - B) the total quantity and quality of goods and services that can be purchased with the currency used in an economic system.
 - C) the total value of all the goods produced by a single economy.
 - D) also known as "real gross national product."
 - E) the total value of all goods and services produced by a national economy in a given period of time regardless of where the factors of production are located.

- 19) With regard to GDP, GNP, and GPI, which of the following is correct? 19) _____
- A) Profits earned by foreign firms in Canada are included in GDP.
 - B) They all measure essentially the same thing.
 - C) GDP has been increasing for many years, but GPI has been decreasing since the 1970s.
 - D) GDP increased as a result of the Exxon Valdez oil spill, but GPI decreased because of that spill.
 - E) The profits earned by a Canadian company abroad are included in GNP, but not in GDP.
- 20) If GDP is going up, the nation is experiencing 20) _____
- A) a recession.
 - B) inflation.
 - C) it is not possible to tell given the information provided.
 - D) growth.
 - E) an increase in demand.
- 21) _____ is the total value of all goods and services produced by a national economy within a given period regardless of where the factors of production are located. 21) _____
- A) Productivity
 - B) GNP
 - C) The standard of living
 - D) GDP
 - E) Purchasing power parity
- 22) Total GDP divided by the population of a country is 22) _____
- A) GNP.
 - B) aggregate demand.
 - C) real GDP.
 - D) GDP per capita.
 - E) nominal GDP.
- 23) Canada's GDP per capita is approximately 23) _____
- A) \$35,000. B) \$38,000. C) \$44,000. D) \$15,000. E) \$56,000.
- 24) _____ has been proposed as a more realistic measure to assess economic activity. It takes into consideration activities that harm the environment or quality of life and gives these things a negative value. 24) _____
- A) GRE
 - B) GDP
 - C) GPI
 - D) GNP
 - E) Purchasing power parity
- 25) Purchasing power parity gives us a good idea of 25) _____
- A) what people can actually buy with the financial resources allocated to them by their economic system.
 - B) what people are buying outside their own country while on vacation or while doing international business.
 - C) what people would like to buy with the financial resources in their economic system.
 - D) average annual income.
 - E) purchasing trends across the globe.

- 26) Peter is a Canadian citizen who owns a manufacturing plant located in Brazil. The profits earned by his company will be reflected in _____ in Canada. 26) _____
- A) GNP
 - B) GPI
 - C) GDP
 - D) productivity
 - E) balance of trade
- 27) Paul owns a Canadian shipping company that generates profits as a result of business activities in Brazil. These profits are included in _____ in Brazil. 27) _____
- A) GNP
 - B) GPI
 - C) GDP
 - D) productivity
 - E) national employment
- 28) The total value of all goods and services produced by a country in a 12-month period regardless of where the factors of production are located is known as 28) _____
- A) Net National Profit.
 - B) Gross National Product.
 - C) Gross Domestic Product.
 - D) Net National Income.
 - E) Net National Product.
- 29) Gross National Product is 29) _____
- A) the revenue from goods and services produced within Canada in one year.
 - B) the value of all goods and services produced by businesses in Canada in one year.
 - C) measured by the price of a basket of goods.
 - D) the value of all goods and services produced by a country regardless of where the factors of production are located.
 - E) the revenue from goods and services produced in one year by businesses in Canada and by Canadians working outside of Canada.
- 30) The comparison of what an economic system produces with the resources used to produce it is known as 30) _____
- A) the resource ratio.
 - B) real GDP.
 - C) the balance of trade.
 - D) productivity.
 - E) purchasing power parity.
- 31) Which of the following statements is correct? 31) _____
- A) GDP refers to the total value of all goods and services produced by a national economy regardless of where the factors of production are located.
 - B) Growth depends on output increasing at a faster rate than population.
 - C) Per capita GDP is calculated by dividing purchasing power parity by the rate of inflation.
 - D) Real GDP compares how much a system produces with the resources needed to produce it.
 - E) GNP refers to the total value of all goods and services produced by a national economy.
- 32) The difference between a country's exports and its imports is known as its 32) _____
- A) balance of trade.
 - B) net national profit.

- C) balance of payments.
- D) national debt.
- E) net national income.

- 33) If we know that it takes, on average, one Canadian worker and one Canadian dollar to make 10 soccer balls in an 8 hour work day, we can measure Canada's _____. 33) _____
- A) GNP and productivity
 - B) GDP
 - C) GNP
 - D) balance of trade
 - E) productivity
- 34) Which of the following is the *best* description of the balance of trade? 34) _____
- A) The total of a nation's exports minus its imports.
 - B) The total of a nation's revenues from income taxes minus its expenditures on goods and services.
 - C) The total value of all services provided to foreigners during a one year time period.
 - D) Changes in currency values and price changes.
 - E) The profitability of business firms that are exporting goods and services.
- 35) Taiwan has a positive balance of trade. This means that 35) _____
- A) the total amount of imported goods has decreased from the previous year.
 - B) money is flowing into the country to pay for imported goods.
 - C) the total amount of exported goods has increased from the previous year.
 - D) the nation is exporting more than it imports from other nations.
 - E) All of these are correct.
- 36) Which of the following is correct with regard to budget deficits and the national debt? 36) _____
- A) Until recently, Canada was the only industrialized country that had an annual budget surplus.
 - B) A country's national debt is the amount of money its government owes the United States.
 - C) A budget deficit occurs when income tax revenue is less than interest payments on the national debt.
 - D) Canada is the only industrialized country in the world that has a budget surplus.
 - E) All of these statements are correct.
- 37) Canada usually has a _____ balance of trade. It is therefore a _____ nation rather than a _____ nation. 37) _____
- A) negative; creditor; debtor
 - B) negative; debtor; creditor
 - C) positive; creditor; debtor
 - D) positive; debtor; creditor
 - E) none of the above
- 38) From Confederation (1867) to 1981, Canada's total accumulated debt was only _____, but in the period between 1981-1994, annual deficits were in the _____ range. 38) _____
- A) \$40 billion; \$20 to \$40 billion
 - B) \$57.8 billion; \$100 to \$125 billion
 - C) \$78.5 billion; \$10 to \$20 billion
 - D) \$85.7 billion; \$20 to \$40 billion
 - E) None of these numbers are correct.

- 39) Because Canada's exports _____ its imports, Canada has a _____ balance. 39) _____
- A) are less than; negative balance of trade
 - B) are less than; positive balance of trade
 - C) are greater than; negative balance of trade
 - D) are greater than; positive balance of trade
 - E) none of the above
- 40) The more money the Canadian government borrows (by issuing savings bonds), the _____ money is available for private borrowing and investment that increases _____. 40) _____
- A) more; productivity
 - B) less; productivity
 - C) less; GDP
 - D) more; GDP
 - E) more; purchasing power parity
- 41) If Canada fell into a depression, the Bank of Canada would most likely 41) _____
- A) lower interest rates.
 - B) increase gasoline taxes.
 - C) leave interest rates alone.
 - D) It is not possible to tell with the information given.
 - E) raise interest rates.
- 42) With respect to inflation and deflation, which is correct? 42) _____
- A) When inflation occurs, people have more money to spend, and there will be an increased quantity of goods for sale.
 - B) Inflation is caused when consumers buy too many luxury goods.
 - C) When inflation occurs, purchasing power decreases.
 - D) Deflation is evident when the amount of money injected into the economic system increases faster than actual output.
 - E) All of these statements are correct.
- 43) John is experiencing _____ unemployment because he is out of work temporarily while looking for a new job, while Sally is experiencing _____ unemployment because she is out work because of a downturn in the business cycle. 43) _____
- A) cyclical; frictional
 - B) seasonal; cyclical
 - C) structural; seasonal
 - D) seasonal; structural
 - E) frictional; cyclical
- 44) Ben is unemployed, but he is currently in a training program designed to increase the skills he needs to perform the kinds of jobs that are available. Ben is experiencing _____ unemployment. 44) _____
- A) frictional
 - B) cyclical
 - C) seasonal
 - D) structural
 - E) none of these
- 45) A computer programmer who has just quit her job, but who will find a new one soon is an example of _____ unemployment. 45) _____
- A) seasonal

- B) structural
- C) frictional
- D) cyclical
- E) none of these

- 46) Sam, an audiologist, lost his job two years ago and still hasn't found work. There is just no market for audiologists at this time. Sam is experiencing _____ 46) _____
- A) cyclical unemployment.
 - B) bad luck.
 - C) frictional unemployment.
 - D) structural unemployment.
 - E) full unemployment.
- 47) Which term is used to describe the type of unemployment that occurs when reduced economic activity puts people out of work? 47) _____
- A) Seasonal unemployment
 - B) Frictional unemployment
 - C) Structural unemployment
 - D) Annual unemployment
 - E) Cyclical unemployment
- 48) Don is unemployed because of a downturn in economic activity; this is an example of _____ unemployment. 48) _____
- A) seasonal
 - B) frictional
 - C) structural
 - D) cyclical
 - E) none of these
- 49) _____ policy involves the collection and spending of government revenues, while _____ policy focuses on controlling the size of the nation's money supply. 49) _____
- A) Fiscal policy; monetary policy
 - B) Productivity; inflation
 - C) National debt; annual deficit
 - D) Taxation policy; monetary policy
 - E) Monetary policy; fiscal policy
- 50) If you were the Minister of Finance, taking care of fiscal policy, which one of the following could you implement? 50) _____
- A) An increase in spending to military bases
 - B) A cut in social security programs
 - C) A tax increase
 - D) An increase in federal transfer payments
 - E) All of these ideas could be implemented
- 51) The chance that a society can actually achieve full employment is _____ percent. 51) _____
- A) 10
 - B) 75
 - C) 45
 - D) 0
 - E) 1
- 52) Higher interest rates tend to lead to _____ consumer and business spending, while lower interest rates tend to lead to _____ spending by consumers and businesses. 52) _____
- A) lower; higher
 - B) higher; lower

- C) lower; lower
- D) higher; higher
- E) It is not possible to tell from the information given.

- 53) Suppose the Canadian dollar rose from (US)\$0.90 to (US)\$0.95. Exports of Canadian goods would then be likely to _____, and the Bank of Canada would likely _____ interest rates. 53) _____
- A) increase; raise
 - B) increase; lower
 - C) decrease; raise
 - D) decrease; lower
 - E) It is not possible to tell from the information given.
- 54) What effect do higher interest rates have on consumer spending? 54) _____
- A) Consumer spending increases as people try to quickly buy goods before rates go even higher.
 - B) Consumer spending decreases immediately, but then rises sharply after consumers get used to the new higher interest rates.
 - C) Consumer spending decreases.
 - D) Consumer spending is not impacted by changes in interest rates.
 - E) It is not possible to tell from the information given.
- 55) Which of the following best defines the term *business cycle*? 55) _____
- A) The total quantity and quality of goods and services that a country's citizens can purchase with the currency used in their economic system.
 - B) The conditions of the economic system in which an organization operates.
 - C) The total quantity of goods and services produced by an economic system during a given period.
 - D) The pattern of short-term ups and downs in an economy.
 - E) The measure of economic growth that compares how much a system produces with the resources needed to produce it.
- 56) Which of the following best defines the term *aggregate output*? 56) _____
- A) The pattern of short-term ups and downs in an economy.
 - B) The total quantity and quality of goods and services that a country's citizens can purchase with the currency used in their economic system.
 - C) The total quantity of goods and services produced by an economic system during a given period.
 - D) The conditions of the economic system in which an organization operates.
 - E) The measure of economic growth that compares how much a system produces with the resources needed to produce it.
- 57) _____ refers to the total quality and quantity of goods and services that a country's citizens can purchase with the currency used in their economic system. 57) _____
- A) The consumer price index
 - B) The business cycle
 - C) The national debt
 - D) Standard of living
 - E) Aggregate output
- 58) Which of the following best describes the term *standard of living*? 58) _____
- A) Conditions of the economic system in which an organization operates.
 - B) Total quantity of goods and services produced by an economic system.

- C) Total value of all goods and services produced by a national economy within a given period, regardless of where the factors of production are located.
- D) Total value of all goods and services produced within a given period by a national economy through domestic factors of production.
- E) Total quantity and quality of goods and services that a country's citizens can purchase with the currency used in their economic system.

59) Which of the following best describes the term *gross domestic product*? 59) _____

- A) Total quantity of goods and services produced by an economic system.
- B) Conditions of the economic system in which an organization operates.
- C) Total quantity and quality of goods and services that a country's citizens can purchase with the currency used in their economic system.
- D) Total value of all goods and services produced by a national economy within a given period regardless of where the factors of production are located.
- E) Total value of all goods and services produced within a given period by a national economy through domestic factors of production.

60) _____ refers to the total value of all goods and services produced within a given period by a national economy through domestic factors of production. 60) _____

- A) The gross domestic product
- B) The balance of trade
- C) The gross national product
- D) The aggregate output
- E) The standard of living

61) Which of the following best describes the term *gross national product*? 61) _____

- A) Total quantity of goods and services produced by an economic system.
- B) Total value of all goods and services produced by a national economy within a given period regardless of where the factors of production are located.
- C) Conditions of the economic system in which an organization operates.
- D) Total value of all goods and services produced within a given period by a national economy through domestic factors of production.
- E) Total quantity and quality of goods and services that a country's citizens can purchase with the currency used in their economic system.

62) In the business cycle, what phase follows "recession"? 62) _____

- A) Recovery
- B) Peak
- C) Expansion
- D) Trough
- E) It is not possible to say given the information that is provided.

63) _____ refers to the total value of all goods and services produced by a national economy within a given period regardless of where the factors of production are located. 63) _____

- A) The gross domestic product
- B) The gross national product
- C) The standard of living
- D) The balance of trade
- E) The aggregate output

64) Which of the following would be *included* in the gross national product of Canada? 64) _____

- A) The wages paid to Peruvian workers producing coffee for a Brazilian company

- B) The wages paid to Brazilian workers producing coffee for sale in Canada
C) The profits earned by a Canadian-owned automobile plant in Brazil
D) The profits earned by a Brazilian coffee company operating in Canada
E) The profits earned by a Brazilian coffee company operating in Peru
- 65) Which of the following would be *included* in the gross national product of Brazil? 65) _____
A) The profits earned by a Canadian coffee company operating in Peru
B) The wages paid to Peruvian workers producing coffee for sale in Canada
C) The profits earned by a Canadian-owned automobile plant in Brazil
D) The wages paid to Peruvian workers producing coffee for a Canadian company
E) The profits earned by a Brazilian coffee company operating in Canada
- 66) Which of the following would be *included* in the gross domestic product of Canada? 66) _____
A) The wages paid to Brazilian workers producing coffee for sale in Canada
B) The wages paid to Peruvian workers producing coffee for a Canadian company
C) The profits earned by a Brazilian coffee company operating in Canada
D) The profits earned by a Canadian-owned automobile plant in Brazil
E) The profits earned by a Brazilian coffee company operating in Peru
- 67) The _____ is the growth rate of GDP adjusted for inflation and the change in the value of the country's currency. 67) _____
A) gross national product
B) per capita GDP
C) real growth rate
D) adjusted growth rate
E) real GDP
- 68) The _____ is the total gross domestic product divided by total population. 68) _____
A) real growth rate
B) adjusted growth rate
C) GDP per capita
D) real GDP
E) gross national product
- 69) _____ is GDP measured in current dollars with all components valued at current prices. 69) _____
A) Nominal GDP
B) Per capita GDP
C) Adjusted GDP
D) Real GDP
E) Net GDP
- 70) Which of the following best describes *nominal GDP*? 70) _____
A) Total value of all goods and services produced within a given period by a national economy through domestic and international factors of production
B) Total value of all goods and services produced within a given period by a national economy, through domestic factors of production measured in current dollars, with all components valued at current prices
C) Total quantity and quality of goods and services that a country's citizens can purchase with the currency used in their economic system
D) Total quantity of goods and services produced by an economic system
E) Total value of all goods and services produced by a national economy within a given period regardless of where the factors of production are located

- 71) _____ is GDP calculated to account for changes in currency values and price changes. 71) _____
- A) Adjusted GDP
 - B) Net GDP
 - C) Real GDP
 - D) Nominal GDP
 - E) Per capita GDP
- 72) Which of the following best describes *real GDP*? 72) _____
- A) Total value of all goods and services produced by a national economy within a given period, calculated to account for changes in currency values and price changes
 - B) Total quantity and quality of goods and services that a country's citizens can purchase with the currency used in their economic system
 - C) Total quantity of goods and services produced by an economic system
 - D) Total value of all goods and services produced within a given period by a national economy, through domestic factors of production measured in current dollars, or with all components valued at current prices
 - E) Total value of all goods and services produced within a given period by a national economy through domestic and international factors of production
- 73) The principle of _____ states that exchange rates are set so that the prices of similar products in different countries are about the same. 73) _____
- A) equal prices
 - B) gross national product
 - C) purchasing power parity
 - D) nominal GDP
 - E) consumer price index
- 74) _____ is a measure of economic growth that compares how much a system produces with the resources needed to produce it. 74) _____
- A) Stability
 - B) Productivity
 - C) Recession
 - D) Inflation
 - E) Purchasing power parity
- 75) Which of the following is accurate regarding purchasing power parity? 75) _____
- A) It reflects the principle that exchange rates are set so that prices of similar products in different countries are unequal.
 - B) It does not really give a good sense of the standards of living around the world.
 - C) It gives us a better idea of what people can actually buy with the financial resources they have.
 - D) It reflects the principle that capitalism is a better system than communism.
 - E) None of these statements are accurate.
- 76) The _____ is the economic value of all the products that a country exports minus the economic value of imported products. 76) _____
- A) gross national product
 - B) national debt
 - C) nominal GDP
 - D) real GDP
 - E) balance of trade

- 77) A _____ balance of trade results when a country exports more than it imports. 77) _____
A) depressed B) negative C) positive D) nominal E) real
- 78) A budget deficit refers to 78) _____
A) the total of a country's exports minus its imports.
B) the total amount of money that Canada owes its creditors.
C) government spending more in one year than it takes in during that year.
D) the exchange rate that is set so prices of similar products in different countries are the same.
E) the measure of economic growth that compares how much a system produces with the resources needed to produce it.
- 79) A _____ balance of trade results when a country imports more than it exports. 79) _____
A) beneficial B) depressed C) nominal D) positive E) negative
- 80) A negative balance of trade can also be called a 80) _____
A) trade deficit.
B) trade shortage.
C) trade surplus.
D) national debt.
E) trade deficiency.
- 81) A nation's _____ is the total amount of money that the government owes its creditors. 81) _____
A) national debt
B) trade deficit
C) trade deficiency
D) trade surplus
E) trade shortage
- 82) The national debt refers to 82) _____
A) the result of government spending more in a year than the value of GDP.
B) the total amount of money that Canada owes to its creditors.
C) the amount of taxes the government collects in one year.
D) the ratio of Canada's exports to its imports.
E) the excess amount of taxes over what the government spends in one year.
- 83) A measure of economic growth that compares how much a system produces with the resources 83) _____
needed to produce it is
A) productivity.
B) GDP.
C) purchasing power parity.
D) organizational effectiveness.
E) GNP.
- 84) What are three factors that threaten stability? 84) _____
A) Productivity, inflation, and deflation
B) Purchasing power parity, inflation, and deflation
C) Inflation, deflation, and unemployment
D) Purchasing power parity, productivity, and inflation
E) Productivity, unemployment, and inflation
- 85) _____ is the economic condition characterized by widespread increased prices throughout an economic

system. 85)

- A) Unemployment
- B) Inflation
- C) Stagflation
- D) Deflation
- E) Stability

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- 86) Which of the following statements about inflation is correct? 86) _____
- A) The consumer price index is one way to measure inflation.
 - B) Inflation occurs when people have more money to spend as the quantity of goods available increases.
 - C) Inflation and deflation are really almost synonymous in practice.
 - D) Inflation occurs when the amount of money taken out of the economy exceeds the amount of money put into the economy.
 - E) Inflation increases the purchasing power of consumer dollars.
- 87) The _____ is a measure of the prices of a typical “basket of products” purchased by consumers. 87) _____
- A) real GDP
 - B) consumer price index
 - C) balance of trade
 - D) gross national product
 - E) national debt
- 88) Deflation refers to 88) _____
- A) the amount of government spending greater than the taxes collected in one year.
 - B) the condition in an economic system in which the amount of money available is greater than the amount of goods produced.
 - C) the measure of prices purchased by consumers living in urban areas.
 - D) the occurrence of price increases throughout the economic system.
 - E) a period of falling prices.
- 89) Unemployment is the level of joblessness among 89) _____
- A) people over the age of 18 within a given economic system.
 - B) people over the age of 18 and under the age of 65 in a given economic system.
 - C) people who have been previously employed in an economic system.
 - D) people actively seeking work in an economic system.
 - E) people who have the skills for employment within an economic system.
- 90) Low unemployment rates can result in 90) _____
- A) increased profit margins.
 - B) decreased prices for products.
 - C) decreases in sales revenue.
 - D) decreasing wage rates.
 - E) a shortage of labour.
- 91) _____ unemployment results from recessions or depression, while _____ unemployment results from people being unemployed because they lack the right skills. 91) _____
- A) Cyclical; structural
 - B) Seasonal; structural
 - C) Frictional; seasonal

D) Structural; seasonal

E) Cyclical; seasonal

- 92) _____ unemployment results because workers lack the right skills, while _____ unemployment results when people are temporarily out of work while they are looking for a new job. 92) _____
- A) Seasonal; structural
 - B) Frictional; seasonal
 - C) Structural; frictional
 - D) Cyclical; structural
 - E) Cyclical; seasonal
- 93) Which of the following would *not* likely be a consequence of a recession? 93) _____
- A) GDP will decrease.
 - B) Producers will hire more employees.
 - C) Less labour will be needed to produce products.
 - D) Aggregate output declines.
 - E) Unemployment will increase.
- 94) The government manages the collection and spending of its revenues through _____ policies. 94) _____
- A) monetary
 - B) inflation
 - C) fiscal
 - D) economic
 - E) revenue
- 95) The government controls the size of the money supply through _____ policies. 95) _____
- A) revenue
 - B) inflation
 - C) monetary
 - D) fiscal
 - E) economic
- 96) Taken together, fiscal policy and monetary policy make up _____ policy. 96) _____
- A) stabilization
 - B) recession
 - C) economic
 - D) inflation
 - E) information
- 97) Which of the following is correct regarding unemployment rates in Canada? 97) _____
- A) Unemployment rates have been fairly stable at about 6 percent for the last 30 years.
 - B) Unemployment rates have been fairly stable at about 2 percent for the last 30 years.
 - C) Unemployment rates for women have been slightly lower than unemployment rates for men during the last 10 years.
 - D) The unemployment rate for women is about half the unemployment rate for men.
 - E) The government did not keep track of unemployment rates for women until the 1980s.
- 98) _____ includes all the ways by which firms create value for their constituents. 98) _____
- A) Outsourcing
 - B) Processing
 - C) Production
 - D) Technology
 - E) Marketing
- 99) _____ includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems that are used in performing business activities. 99) _____
- A) The competitive environment
 - B) The economic environment

- C) The social environment
- D) The political-legal environment
- E) The technological environment

- 100) Research and development (R&D) includes activities that are necessary to provide new products, services and processes. Two types of R&D include 100) _____
- A) basic and applied.
 - B) public and economical.
 - C) pure and theoretical.
 - D) college and university.
 - E) deflationary and inflationary.
- 101) Basic research and development describes 101) _____
- A) those activities that do not create value for the firm.
 - B) those activities that increase a company's revenues.
 - C) focusing specifically on how a technological innovation can be put to use in the making of a product or service that can be sold in the marketplace.
 - D) improving knowledge in an area without a primary focus on whether any discoveries that might occur are immediately marketable.
 - E) the process involved in getting a new technology out of the lab and into the marketplace.
- 102) _____ is the time (from beginning to end) that it takes a firm to accomplish some recurring activity or function. 102) _____
- A) Cycle time
 - B) Vertical integration
 - C) Processing time
 - D) Downtime
 - E) Span of control
- 103) Which of the following points are made in the box entitled "The Hydrogen Fuel Cell?" 103) _____
- A) The hydrogen fuel cell will be installed in 10 million automobiles by 2012.
 - B) Initial enthusiasm about the hydrogen fuel cell has given way to skepticism.
 - C) The development of the hydrogen fuel cell has proceeded much more quickly than originally thought possible.
 - D) The primary reason the hydrogen fuel cell has not been installed in many cars is that it does not consistently work.
 - E) The major automobile companies have never shown any interest in the hydrogen fuel cell.
- 104) _____ is a large-scale information system for organizing and managing a firm's processes across product line, departments, and geographic locations. 104) _____
- A) Business process management
 - B) Outsourcing
 - C) Enterprise resource planning
 - D) Viral marketing
 - E) Vertical integration
- 105) A(n) _____ system integrates back-office and front office processes. 105) _____
- A) outsourcing
 - B) application process management
 - C) viral marketing
 - D) vertical integration
 - E) enterprise resource planning

- 106) _____ systems integrate human resource, data analysis, sales and marketing, customer service, supply chain, accounting and finance, and manufacturing systems. 106) _____
- A) Organizational integration
 - B) Vertical integration
 - C) Enterprise resource planning
 - D) Expert
 - E) Decision support
- 107) _____ improvements and _____ in general are important contributors to the economic development of a country. 107) _____
- A) Development, innovation
 - B) Research, development
 - C) Technological, innovation
 - D) Research, innovation
 - E) None of these are correct.
- 108) R & D spending in Canada in 2008 totalled about _____ billion. 108) _____
- A) \$16
 - B) \$6
 - C) \$2
 - D) \$10
 - E) \$22
- 109) In 2008, the Canadian private sector accounted for about _____ percent of R&D spending, while the government accounted for about _____ percent. 109) _____
- A) 25; 30
 - B) 10; 40
 - C) 25; 10
 - D) 78; 2
 - E) 54; 9
- 110) In 2008, Canadian universities accounted for about _____ percent of R&D spending. 110) _____
- A) 15
 - B) 25
 - C) 45
 - D) 55
 - E) 35
- 111) Which of the following is correct with respect to R & D? 111) _____
- A) Applied R & D involves improving knowledge in an area without regard to how it might be useful in the marketplace.
 - B) R & D focuses on physical products, not services.
 - C) Pure, or basic, R & D involves focusing specifically on how a technological innovation can be put to use to make products that can be sold in the marketplace.
 - D) R & D intensity refers to R & D spending as a percentage of a company's sales revenues.
 - E) All of these statements are correct.
- 112) As a proportion of GDP, Canada's level of R&D _____ that of other industrialized countries. 112) _____
- A) is ahead of
 - B) lags behind
 - C) lags far behind
 - D) is about the same as
 - E) is far ahead of
- 113) The advent of the iPod saw an increase in the downloading of music from the Internet. Music artists are noticing a decrease in the sales of their CDs, which is an effect of which dimension of the external environment? 113) _____
- A) Economic
 - B) Political
 - C) Socio-cultural
 - D) Global
 - E) Technological

- 114) The political-legal environment describes 114) _____
- A) the intensity of the competition in an industry.
 - B) the customs, values, attitudes, and demographic characteristics of the society in which an organization functions.
 - C) the relationship between government and unions.
 - D) the relationship between business and government.
 - E) the relationship between international and domestic corporations.
- 115) Ethical conduct and social responsibility are critical elements of which environment? 115) _____
- A) Socio-cultural
 - B) Global
 - C) Industry
 - D) Economic
 - E) Political-legal
- 116) The Canadian government has so far blocked bank mergers because 116) _____
- A) shareholders oppose the idea.
 - B) the Prime Minister does not like any mergers.
 - C) the banks are not yet profitable enough to merge.
 - D) there is fear that competition would be reduced and customers would be harmed.
 - E) None of the statements are accurate.
- 117) Which of the following points is made in the boxed insert entitled "Nova Scotia's Golden Nectar: Glen Breton Rare?" 117) _____
- A) Increased demand in Europe and Asia means that some single malt whisky distillers have found their products in short supply.
 - B) The product called Glen Breton Rare Single Malt Whisky, produced by Glenora Distilleries in Nova Scotia, has not been well received by consumers, and the company is in financial difficulty.
 - C) Use of the word "scotch" is only allowed for distilleries in Europe, not Canada.
 - D) The company is involved in a dispute with the Scotch Whisky Association.
 - E) Glenora has never experienced cash flow problems because of good financial planning.
- 118) The socio-cultural environment describes 118) _____
- A) the relationship between government and unions.
 - B) the customs, values, attitudes, and demographic characteristics of the society in which an organization functions.
 - C) the intensity of the competition in an industry.
 - D) the relationship between business and government.
 - E) the relationship between international and domestic corporations.
- 119) Which of the following is *not* an example of a factor in the socio-cultural environment? 119) _____
- A) Prepackaged chili is more popular in southwestern U.S. states than in the U.S. northeast.
 - B) Consumers in China perceive bicycles primarily as a mode of transportation, while consumers in Canada perceive bicycles as recreational items.
 - C) Companies are more likely to set up foreign operations in countries with stable political and economic systems.
 - D) Many people in the Middle East are unwilling to work in food service operations.
 - E) McDonald's has added salads and other low fat foods to its menu.
- 120) Which company is now infamous for its accounting practices? 120) _____
- A) Enron
 - B) Inco
 - C) IBM
 - D) Coke
 - E) GE

- 121) Which Canadian Bank is noted in the text as being involved in the Enron scandal? 121) _____
- A) TD Canada Trust
 - B) BMO
 - C) Scotia Bank
 - D) RBC
 - E) CIBC
- 122) If casinos notice an increase in business due to the fact that many people no longer regard gambling as wrong, this demonstrates a change in the _____ dimension of their external environment. 122) _____
- A) socio-cultural
 - B) technological
 - C) economic
 - D) global
 - E) political-legal
- 123) Companies that continue to act unethically (especially in the area of accounting) will most likely 123) _____
- A) have their shares appreciate in value because shareholders like aggressive accounting practices which help increase the price of their stock.
 - B) never be able to sell shares of stock to the public.
 - C) find that their share price will be unaffected by this practice.
 - D) have their shares depreciate in value as shareholders become leery of aggressive accounting practices which distort a company's real financial condition.
 - E) no pattern is evident.
- 124) The major cigarette companies have been experiencing a decline in sales due to the overall decrease in smoking across Canada in recent years. These companies are being affected by which dimension of their external environment? 124) _____
- A) Technological
 - B) Socio-cultural
 - C) Business
 - D) Global
 - E) Economic
- 125) Which of the following *best* describes the breadth of socio-cultural environment factors? 125) _____
- A) Customs, attitudes, and values
 - B) Values, attitudes, customs, and demographic characteristics
 - C) Customs, values, religious beliefs, and consumer wealth
 - D) Demographic characteristics, customs, and values
 - E) Values, religious beliefs, and consumer wealth
- 126) One of the most popular tools to analyze competitive situations in an industry is Michael Porter's model. The model includes 126) _____
- A) substitute products.
 - B) rivalry among existing competitors.
 - C) suppliers and buyers.
 - D) threat of potential entrants.
 - E) all of these.
- 127) A 2007 C-Suite survey found that the three most important issues facing Canadian businesses are 127) _____

- A) labour shortages, the environment, and declining consumer spending.
- B) the balance of trade, the value of the dollar, and the environment.
- C) the environment, a skilled labour shortage, and the value of the Canadian dollar.
- D) economic growth, labour shortages, and the environment.
- E) declining consumer spending, the value of the Canadian dollar, and the balance of trade.

128) Most successful firms are getting leaner by focusing on their _____, the skills and resources with which they compete best and create the most value for owners. 128) _____

- A) viral marketing
- B) business process management
- C) political-legal environment
- D) processes
- E) core competencies

129) _____ is the strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials or resources. 129) _____

- A) Disruption
- B) Core competency
- C) Outsourcing
- D) Alliance
- E) Enterprise management

130) Which of the following is the best definition of *outsourcing*? 130) _____

- A) The strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials and resources.
- B) The strategy of using the Internet and word-of-mouth marketing to spread product information.
- C) Any activity that adds value to some input by transforming it into an output for an internal or external customer.
- D) An approach by which firms move away from department-oriented organization and toward process-oriented team structures that cut across old departmental boundaries.
- E) The strategy of owning the means by which an organization produces goods or services.

131) Which of the following points are made in the boxed insert entitled "Is Outsourcing a Good Idea?" 131) _____

- A) A Dun & Bradstreet study found that one-quarter of all outsourcing relationships fail within two years.
- B) Boeing's success in bringing its new Dreamliner aircraft to market is largely attributed to outsourcing.
- C) Canadian firms outsource work to firms in India, but firms in India do not outsource work to firms in other countries.
- D) Outsourcing was popular in the 1990s, but it has since fallen out of favour.
- E) A study by the Centre for Outsourcing Research found that the majority of companies that have tried it have been satisfied with it.

132) An approach which moves from a department-oriented organization to a process team orientation is called 132) _____

- A) virtual restructuring.
- B) process improvement.
- C) business process management.
- D) outsourcing.
- E) six sigma.

- 133) Many firms use _____ to provide cafeteria operations for their customers. 133) _____
- A) disruption management
 - B) vertical integration
 - C) enterprise management
 - D) core competencies
 - E) outsourcing
- 134) Which of the following best describes *viral marketing*? 134) _____
- A) The strategy of owning the means by which an organization produces goods or services.
 - B) The strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials and resources.
 - C) The strategy of using the Internet and word-of-mouth marketing to spread product information.
 - D) Any activity that adds value to some input by transforming it into an output for an internal or external customer.
 - E) An approach by which firms move away from department-oriented organization and toward process-oriented team structures that cut across old departmental boundaries.
- 135) _____ uses games, contests, chat rooms, and bulletin boards to encourage potential customers to try out products and tell other people about them. 135) _____
- A) Relationship marketing
 - B) Enterprise planning
 - C) Vertical integration
 - D) Business process management
 - E) Viral marketing
- 136) Which of the following best describes *business process management*? 136) _____
- A) The strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials and resources.
 - B) Any activity that adds value to some input by transforming it into an output for an internal or external customer.
 - C) The strategy of owning the means by which an organization produces goods or services.
 - D) The strategy of using the Internet and word-of-mouth marketing to spread product information.
 - E) An approach by which firms move away from department-oriented organization and toward process-oriented team structures that cut across old departmental boundaries.
- 137) A(n) _____ is any activity that adds value to input by transforming it into an output for a customer. 137) _____
- A) enterprise
 - B) competency
 - C) process
 - D) procedure
 - E) virus
- 138) Which of the factors in Porter's five forces model is generally most important? 138) _____
- A) Rivalry among existing competitors
 - B) Threat of potential entrants
 - C) Threat of substitutes
 - D) Suppliers
 - E) None of these

- 139) The rivalry between CAs, CGAs and CMAs in Canada is _____, and the firms have responded by _____. 139) _____
- A) non-existent; merging
 - B) moderate; advertising their respective advantages
 - C) intense; cutting costs
 - D) mild; working together cooperatively
 - E) none of the above
- 140) When Microsoft introduced Encarta, it caused the sale of hard copy encyclopedias sold by Encyclopedia Britannica to drop sharply. This is an example of which of Porter's five forces? 140) _____
- A) Buyers
 - B) Suppliers
 - C) Substitutes
 - D) Threat of potential entrants
 - E) Rivalry among existing competitors
- 141) Some industries are relatively easy to enter, but automobile manufacturing is not because 141) _____
- A) it is a foreign market.
 - B) the market is saturated.
 - C) it is very capital-intensive.
 - D) it is too labour intensive.
 - E) None of these are correct.
- 142) Porter's five forces model includes all of the following *except* 142) _____
- A) substitutes.
 - B) threat of replacement products.
 - C) suppliers.
 - D) buyers.
 - E) threat of potential entrants.
- 143) _____ is often cited as a buyer that puts tremendous pressure on its suppliers. 143) _____
- A) Target
 - B) Costco
 - C) Canadian Tire
 - D) Wal-Mart
 - E) The Bay
- 144) _____ refers to the skills and resources with which the company competes best and creates the most value for its owners. 144) _____
- A) Viral marketing
 - B) Core competencies
 - C) Labour
 - D) Outsourcing
 - E) Business process management
- 145) The most successful firms are getting leaner by focusing on their core competencies, but these new business models call for _____. 145) _____
- A) unprecedented funds
 - B) unprecedented coordination
 - C) environmental management
 - D) new corporate boundaries

E) None of these are correct.

- 146) What is outsourcing? 146) _____
- A) Sending employees overseas so they will work more cheaply.
 - B) Bringing overseas workers to Canada.
 - C) Finding new sources of higher quality supplies that are out of the country.
 - D) Paying suppliers and distributors to perform certain business functions.
 - E) Using the skills of current employees to create better value for customers.
- 147) _____ uses word of mouth and the Internet to market products. 147) _____
- A) Virtual marketing
 - B) Compressed channel marketing
 - C) Internet marketing
 - D) Viral marketing
 - E) none of these
- 148) When the Organic Trade Association partnered with Free Range Graphics to produce a 5-minute on-line spoof of the latest Star Wars movie, this was an example of 148) _____
- A) viral marketing.
 - B) outsourcing.
 - C) business process management.
 - D) a strategic alliance.
 - E) none of these.
- 149) Viral marketing can result in _____ when compared to traditional marketing. 149) _____
- A) quicker consumer awareness and higher costs
 - B) faster consumer awareness and a wider reach
 - C) slower consumer awareness and a wider reach
 - D) lower rates of recall and slower consumer awareness
 - E) lower rates of recall and higher costs
- 150) Which of the following is correct with regard to business process management? 150) _____
- A) It is as effective as outsourcing, but more costly.
 - B) It is more effective than outsourcing.
 - C) It means more effective decision making, but it is somewhat slower.
 - D) It means moving away from organizing around departments.
 - E) It means dismantling the formerly popular work teams and placing more emphasis on individual performance.
- 151) Firms are moving away from _____ structures and embracing _____ structures. 151) _____
- A) team; process
 - B) process; team
 - C) department; team
 - D) process; department
 - E) team; department
- 152) _____ is the approach by which firms move away from department-oriented organizations and toward process-oriented team structures. 152) _____
- A) Business process management
 - B) Departmentalization
 - C) Viral marketing
 - D) Team management

E) none of these

- 153) Which of the following is the best definition of *vertical merger*? 153) _____
- A) The strategy of using the Internet and word-of-mouth marketing to spread product information.
 - B) The strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials and resources.
 - C) Any activity that adds value to some input by transforming it into an output for an internal or external customer.
 - D) An approach by which firms move away from department-oriented organization and toward process-oriented team structures that cut across old departmental boundaries.
 - E) A strategy in which one of the companies in the merger is a supplier or customer of the other.
- 154) A(n) _____ is a merger to two firms that have previously had a buyer seller relationship. 154) _____
- A) vertical merger
 - B) enterprise merger
 - C) conglomerate merger
 - D) hostile take over
 - E) friendly take over
- 155) A company that cuts and packages paper for photocopiers and printers that merges with a paper mill to reduce the risk of paper shortages, is using a(n) 155) _____
- A) poison pill merger.
 - B) hostile take over.
 - C) enterprise merger.
 - D) friendly take over bid.
 - E) vertical merger.
- 156) Unilever is _____ to Lever Brothers, Lipton, and Chesebrough Ponds. 156) _____
- A) a subsidiary
 - B) a spinoff
 - C) a parent company
 - D) an employee stock ownership plan
 - E) a partner
- 157) An acquisition takes place when 157) _____
- A) two firms join together to form a new entity.
 - B) two firms who previously have been buyer and seller merge.
 - C) management adopts a defence to make its firm less attractive.
 - D) one firm simply buys another.
 - E) one firm consolidates with another.
- 158) When one company sells part of its existing business operations to another company, this is called 158) _____
- A) a divestiture.
 - B) intense competition.
 - C) a strategic alliance.
 - D) outsourcing.
 - E) a spinoff.
- 159) When Mars Inc. bought Wm. Wrigley Jr. Co. for \$23 billion, this was an example of _____, but when

Canada 159)

n
National
Railways
and the
Illinois
Central
Railroad
combine
d, this
was an
example
of

- A) an acquisition; a merger
- B) a hostile takeover; friendly takeover
- C) a spinoff; a divestiture
- D) a merger; an acquisition
- E) a poison pill; a divestiture

160) If Shirley's Subs Inc. purchased Tony's Car Repair Inc., this would be _____.

160) _____

- A) a divestiture
- B) a horizontal merger
- C) a conglomerate merger
- D) a spinoff
- E) a vertical merger

161) If Toyota Motors purchased Ruscombe Muffler, a small retail muffler business, the purchase would be

161) _____

- A) a vertical merger.
- B) a divestiture.
- C) a conglomerate merger.
- D) a spinoff.
- E) a horizontal merger.

162) Company A and Company F have been in direct competition for years selling four-ply tissue paper. Recently, an announcement was made of a merger between the two companies. This would be a _____.

162) _____

- A) friendly takeover
- B) horizontal merger
- C) vertical merger
- D) joint venture
- E) reverse merger

163) A corporation may overcome the resistance of a takeover target by implementing which of the following actions?

163) _____

- A) Buy the target company's preferred stock instead of its common stock.
- B) Buy more of the target company's stock.
- C) Reduce the price offered for the target company's stock.
- D) Threaten to fire the officers of the target company.
- E) File a lawsuit.

- 164) Stone Inc. has just been through a friendly takeover. This means that 164) _____
- A) two firms agree to join together.
 - B) the organization will buy back their own stock from an investor who threatened a hostile takeover.
 - C) the acquired company welcomes the acquisition because it may need cash or other benefits which it believes will be available from the other firm.
 - D) two firms in completely unrelated businesses merge.
 - E) the two firms were direct competitors before the merger and now will not compete with each other after the merger.
- 165) BSX Inc. gave shareholders the right to purchase company stock at a 50 percent discount if a group without approval of BSX's board of directors acquired more than 20 percent of the company's shares. This is an example of 165) _____
- A) a stock buyback.
 - B) a vertical merger.
 - C) greenmail.
 - D) a poison pill.
 - E) a conglomerate merger.
- 166) PepsiCo created a new corporation called Tricon Global Restaurants (now called Yum! Brands Inc.) which included Pizza Hut, KFC, and Taco Bell. This is an example of a(n) 166) _____
- A) hostile takeover.
 - B) merger.
 - C) spinoff.
 - D) divestiture.
 - E) acquisition.
- 167) The primary objective of an ESOP is to 167) _____
- A) provide workers with financial security.
 - B) prevent worker strikes.
 - C) motivate workers to work harder.
 - D) protect against takeovers.
 - E) keep management from making bad decisions.
- 168) Regarding employee-owned corporations, the survey by Western Compensation & Benefits found that 168) _____
- A) the majority of companies that have adopted ESOPs have experienced improvements in both sales and profits.
 - B) it was originally thought that ESOPs would give employees an increased sense of belonging in the company, but that has not happened.
 - C) the popularity of employee-owned corporations is decreasing.
 - D) employee-owned corporations have been concentrated in the forest products sector.
 - E) All of the statements are accurate.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 169) The external environment has a limited impact on the success or failure of most organizations. 169) _____
- 170) While no single firm can control the environment, managers should not simply react to change; they should be proactive and at least try to influence their environment. 170) _____
- 171) An organizational boundary is that which separates the organization from its environment. 171) _____

- 172) Traditionally, organizational boundaries were formerly clear-cut and easy to identify. 172) ____
- 173) Prevailing economic conditions will affect the performance of almost every business. 173) ____
- 174) Low inflation means that McDonald's will pay lower prices for its supplies as time passes. 174) ____
- 175) Low inflation will allow McDonald's to increase the prices it charges consumers. 175) ____
- 176) Today, approximately 10 percent of the Canadian population works in agriculture. 176) ____
- 177) Aggregate output refers to the pattern of short-term ups and downs in the economy. 177) ____
- 178) An increase in aggregate output will typically result in a recession. 178) ____
- 179) Profits from a Canadian-owned automobile factory in Brazil are included in the GNP of Brazil. 179) ____
- 180) Profits from a Canadian-owned automobile factory in Brazil are included in the GDP of Brazil. 180) ____
- 181) GDP includes the total value of goods and services produced within a given period by a national economy through domestic factors of production. 181) ____
- 182) GNP is the total value of all goods and services produced by a national economy within a given period, regardless of where the factors of production are located. 182) ____
- 183) GNP is the preferred method of calculating national income and output. 183) ____
- 184) Luxembourg has a higher GDP than either Canada or the U.S. 184) ____
- 185) The real growth rate of the Canadian economic system is the growth rate of GDP adjusted for inflation and changes in the value of a country's currency. 185) ____
- 186) Per capita GDP is calculated by dividing the total GDP by the total population. 186) ____
- 187) Nominal GDP is the gross domestic product measured in current dollars or with all components valued at current prices. 187) ____
- 188) Nominal GDP is more important than real GDP. 188) ____
- 189) Purchasing power parity is a principle that states exchange rates are set so that the prices of similar products in different countries are about the same. 189) ____
- 190) If productivity increases, prices to consumers will tend to increase as well. 190) ____
- 191) The standard of living in a country improves only through increases in the money supply. 191) ____
- 192) Standard of living improves only through increases in productivity. 192) ____
- 193) A positive balance of trade results when imports exceed exports. 193) ____
- 194) A negative balance of trade results when a country imports more than it exports. 194) ____

- 195) Canada is a creditor nation. 195) _____
- 196) The three primary factors that threaten stability are inflation, deflation and unemployment. 196) _____
- 197) Inflation occurs when there are increased goods and services for sale. 197) _____
- 198) Inflation increases the purchasing power of your money. 198) _____
- 199) The consumer price index (CPI) is a measure of the prices of typical products purchased by consumers. 199) _____
- 200) During 2008, the annual rate of inflation in Zimbabwe was 40 million percent. 200) _____
- 201) The percent of consumer spending on necessities like food and housing has declined during the past 40 years. 201) _____
- 202) Unemployment reflects the joblessness level of the adult population in an economic system, whether or not they are actively seeking work. 202) _____
- 203) When unemployment is low, employers will tend to reduce the prices of their products. 203) _____
- 204) When unemployment is low, businesses raise the wages that they are willing to pay. 204) _____
- 205) Cyclical unemployment occurs as a result of a downturn in the business cycle. 205) _____
- 206) Agricultural efficiency in Canada has shown only slight improvement in the last century because not a big enough percentage of the population works in agriculture. 206) _____
- 207) The business cycle consists of four phases: peak, recession, trough, and recovery. 207) _____
- 208) GNP is the total value of all the goods and services produced by an economic system during a five-year period. 208) _____
- 209) Canada's GDP in 2008 was approximately \$6.4 trillion. 209) _____
- 210) The purchasing power parity idea gives us a better sense of the standards of living across the globe. 210) _____
- 211) Stability, as an economic goal, is a condition in which there is a balance between money available and goods produced. 211) _____
- 212) One consequence of achieving the economic goal of stability is that wages change very little. 212) _____
- 213) Inflation applies to only specific industries. 213) _____
- 214) Ted has not worked in 5 years and has given up finding a job. He is considered unemployed. 214) _____
- 215) Full employment is impossible. 215) _____
- 216) In order to achieve full employment, government economists require that each business establish that as a goal. 216) _____

- 217) Full employment means that everyone who wants to work has an opportunity to do so. 217) ____
- 218) Although many people associate technology with manufacturing, it is also a significant force in the service sector. 218) ____
- 219) Cycle time is the time, from beginning to end, that it takes a firm to accomplish some recurring activity or function. 219) ____
- 220) Businesses have found that they can be more competitive if they systematically increase cycle times. 220) ____
- 221) Technology transfer is more important than R & D intensity. 221) ____
- 222) R & D spending in Canada in 2008 totaled about \$16 billion. 222) ____
- 223) Enterprise Resource Planning is an example of a process technology. 223) ____
- 224) Company-wide processes, such as materials management, production planning, order management, and financial reporting, can all be managed by enterprise resource planning. 224) ____
- 225) R&D intensity refers to R&D spending as a percentage of a company's sales revenue. 225) ____
- 226) The Canadian government has been supportive of bank mergers. 226) ____
- 227) Political stability is an important factor in international firms because no business wants to set up shop in another country unless trade relationships with that country are well defined and stable. 227) ____
- 228) A product such as bicycles can be marketed in the same way in both Canada and China. 228) ____
- 229) McDonald's has enjoyed great success in the Middle East, where employment in food service is viewed as highly desirable. 229) ____
- 230) Customer preferences must be taken into consideration across national boundaries, but not generally within the same country. 230) ____
- 231) Whiskey, vodka, gin and cigarettes are less commonly used today than they were just a few years ago. 231) ____
- 232) Socio-cultural factors influence the way workers in a society feel about their jobs; the job can have meaningful social significance or it can simply be a means to an end. 232) ____
- 233) Burger King was the first fast food restaurant to reduce the fat content in its French fries. 233) ____
- 234) Product life cycles are somewhat longer than they were 20 years ago because products have become more complex. 234) ____
- 235) Microsoft's introduction of Encarta did not have a large affect on hard copy encyclopedia sales. 235) ____
- 236) To be effective, managers must understand the company's competitive situation, and then develop a competitive strategy to exploit opportunities in the industry. 236) ____

- 237) Viral marketing uses word of mouth that spreads information like a virus from customer to customer. 237) _____
- 238) An example of a merger would be the joining of the Canadian National Railways with the Illinois Central Railroad. 238) _____
- 239) A hostile takeover occurs when one organization buys enough of the other company's shares to take control of another company even though that company may be opposed to the takeover. 239) _____
- 240) There is a growing trend today for employees to buy significant stakes of larger corporations. 240) _____
- 241) In an acquisition, one firm simply buys another firm, whereas in a merger the consolidation is more collaborative. 241) _____
- 242) When Agricore and United Grain Growers merged to form Agricore United, this was an example of a vertical merger. 242) _____
- 243) The majority of companies that have adopted ESOPs have experienced improvement in both sales and profits. 243) _____

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 244) What is an *organizational boundary*? 244) _____
- 245) List the 5 dimensions of the external environment of business organizations. 245) _____
- 246) What is the main measure of growth in the business cycle? 246) _____
- 247) How is *GDP per capita* calculated? 247) _____
- 248) List the three key goals of the Canadian economic system. 248) _____
- 249) Under what circumstances can inflation be a positive factor? 249) _____
- 250) What is the national debt? 250) _____
- 251) What are the three primary factors that threaten economic stability? 251) _____
- 252) What is reflected in the *real GDP*? 252) _____
- 253) What is the *national debt*? 253) _____
- 254) What is measured by the *consumer price index (CPI)*? 254) _____
- 255) Define the term *unemployment*. 255) _____
- 256) What is *cyclical unemployment*? 256) _____
- 257) What is a *recession*? 257) _____
- 258) What is R & D intensity? 258) _____
- 259) Why are customer preferences and tastes important to business? 259) _____

- 260) List the five forces in Porter's model. 260) _____
- 261) What is meant by the term *core competencies*? 261) _____
- 262) What is *outsourcing*? 262) _____
- 263) What is a process? 263) _____
- 264) What is *vertical merger*? 264) _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 265) How might moderate unemployment and low inflation affect a McDonald's restaurant?
- 266) How does GNP differ from GDP? Give an example of a product that would be included in Canada's GNP, but not its GDP.
- 267) How does the national debt affect economic growth?
- 268) What is inflation and how does it threaten economic stability?
- 269) What is unemployment? How does low unemployment threaten economic stability?
- 270) What are some of the solutions to Canada's productivity slow productivity growth rate problem?
- 271) How is the effectiveness of the government's attempts to manage Canada's economy measured? Briefly explain each tool.
- 272) Draw a model of the business cycle that depicts each of its four phases.
- 273) Which organization has proposed what they believe is a more realistic measure than GNP or GDP to assess economic activity? What have they called this measure? How does it provide a more realistic measure?
- 274) What are the pros and cons of prolonged economic stability?
- 275) List and describe the three factors that threaten stability.
- 276) List and discuss the 4 different types of unemployment, using examples to demonstrate the different types.
- 277) Why is it important for businesses to be aware of trends in the political-legal environment?
- 278) What is *outsourcing*? Give an example of outsourcing.
- 279) Describe three advantages of *outsourcing*.
- 280) Describe at least three disadvantages of *outsourcing*.
- 281) What is viral marketing and why do firms use it?
- 282) What is a *vertical merger*? Provide an example.
- 283) How does *poison pill* strategy work?

- 1) D
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- 12) E
- 13) D
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- 242) FALSE
- 243) TRUE
- 244) An organizational boundary is that which separates the organization from its environment.
- 245) economic, technological, political-legal, socio-cultural, and business environments
- 246) The main measure of growth in the business cycle is aggregate output.
- 247) GDP per capita is calculated by dividing the total GDP by the total population of a country.
- 248) economic growth, economic stability and full employment
- 249) As a sign of economic growth, more product sold, more workers are hired, more investment in new products
- 250) The national debt is the amount of money a country owes its creditors.
- 251) Inflation, deflation, and unemployment are the three primary factors that threaten economic stability.
- 252) The real GDP is calculated to account for changes in currency values and price changes.
- 253) The national debt is the amount of money a country owes its creditors.
- 254) The consumer price index measures the changes in the cost of a "basket" of goods and services that typical family might buy.
- 255) Unemployment is the joblessness of people actively seeking work in an economic system.
- 256) Cyclical unemployment is unemployment that results from a downturn in the business cycle.
- 257) A recession is a period during which aggregate output declines.
- 258) R & D spending as a percentage of the company's sales revenue

- 259) Tastes and preferences determine what products and services will sell in various geographic regions and among various ethnic groups in Canada.
- 260) Rivalry among existing competitors, threat of potential entrants, suppliers, buyers, and substitutes
- 261) Core competencies are the skills and resources with which an organization competes best and creates the most values for owners.
- 262) Outsourcing is a strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials or resources.
- 263) A process is any activity that adds value to some input, transforming it into an output for a customer.
- 264) Vertical merger occurs when one of the companies involved in the merger is a supplier or customer of the other.
- 265) Moderate unemployment will result in most people being able to afford to eat out, but it also means that McDonald's must pay higher wages to attract employees. Low inflation will result in McDonald's paying relatively constant prices for its supplies, but it also means that McDonald's will be constrained from increasing the prices it charges.
- 266) A nation's gross national product (GNP) measures the total value of all goods and services produced by its economy within a given period of time, regardless of where the factors of production are located. A nation's gross domestic product (GDP) measures the total value of all goods and services produced within a given period by a national economy through domestic factors of production. As such, the profits earned by a Canadian-owned automobile plant operating in Brazil would be included in the Canadian GNP, but not GDP.
- 267) A country's national debt is the amount of money that the government owes its creditors. The government raises money through taxes and the sale of bonds. By selling bonds, the government competes with other potential borrowers for the available supply of loanable money. The more the government borrows, the less money is available for the private borrowing and investment that increases productivity.
- 268) Inflation occurs when there are widespread price increases throughout an economic system. During periods of inflation, the amount of money injected into an economy outstrips the increase in actual output. When this happens, people will have more money to spend, but there will still be the same quantity of products available for them to buy. As they compete with one another to buy available products, prices go up. Higher prices erase the increase in the amount of money injected into the economy and purchasing power declines.
- 269) Unemployment is the joblessness of people actively seeking work in an economic system. While low unemployment might seem to be positive, it can threaten economic stability. When unemployment is low, there is a shortage of labour available for businesses to hire. As businesses compete with one another for the available supply of labour, businesses raise the wages that they are willing to pay. Because higher wages cut into profit margins, companies raise the prices of their products. While the increase in pay results in consumers having more money to spend, high prices offset any gain and purchasing power declines.
- 270) The follow actions have been suggested:
- Develop more partnerships between business and academic institutions
 - Stop subsidizing uncompetitive industries like shipbuilding
 - Invest in upgrading workforce skills
 - Create greater incentives to rejoin the workforce for those on welfare
 - Levy training costs on businesses like some European countries do
- 271) · GDP: value of all goods and services produced *in* a country
- GNP: value of all goods and services produced *by* a country
 - Productivity: a measure of efficiency
 - Standard of living: a measure of a society's economic well-being
 - Balance of trade: exports minus imports.
- 272) See Figure 2.2.
- 273) An organization called Redefining Progress has proposed a more realistic measure to assess economic activity. They have called this measure the Genuine Progress Indicator (GPI) which treats activities that harm the environment or our quality of life as costs and gives them negative values.
- 274) pros: balance, wages constant, low inflation, predictability, stable interest rates
cons: possible stagnation, less innovation, decreasing efficiency, job loss, slowed economy, high unemployment
- 275) 1. Inflation □ the occurrence of widespread price increases throughout an economic system
2. Deflation □ a period of generally falling prices

3. Unemployment—the level of joblessness among people actively seeking work in an economic system
- 276) frictional unemployment, seasonal unemployment, cyclical unemployment, structural unemployment. Examples will vary.
- 277) For several reasons, it is important for businesses to be aware of trends in the political-legal environment. First, the legal system defines in part what an organization can and can't do. Various government agencies regulate important areas such as advertising practices, safety and health considerations, and acceptable standards of business conduct. Periods of pro-business sentiment may result in less regulation, while periods of anti-business sentiment may result in greater restriction in competitive activities. Finally, political stability is also an important consideration, especially for international firms.
- 278) Outsourcing is the strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials and services. A large bank might outsource an ancillary service such as food service. Other firms outsource payroll, training, and research and development functions.
- 279) Outsourcing provides a number of advantages to organizations. Outsourcing often saves time and money, increases effectiveness in a firm's core business, and results in more value for customers and owners.
- 280) Outsourcing has a number of disadvantages. According to one study, one quarter of all outsourcing relationships failed within two years and one half of all outsourcing relationships failed within five years. Many executives told researchers that suppliers too often didn't understand what they were supposed to do, charged too much, and provided poor service. When disruptions occur in the supply chain, the costs to both parties can be high. Replacing failed outsourced operations can be very expensive. Finally, outsourcing can result in a loss of control over both operations and information.
- 281) Viral marketing is the strategy of using the Internet and word-of-mouth marketing to spread product information. Viral marketing can gain consumer awareness faster and with wider reach than traditional media messages, at a lower cost.
- 282) A vertical merger occurs when there is a consolidation of two firms and one of the firms is a supplier or customer of the other. An example would include a car manufacturer merging with one of their parts suppliers.
- 283) A poison pill is a defence used to make a firm less attractive to an actual or potential hostile suitor in a takeover attempt. The objective is to make the "pill" so distasteful that the potential acquirer will not want to swallow it. For example BCE allowed its shareholders to purchase BCE stock at a 50% discount if another organization announced its intention to purchase 20% or more of BCE.