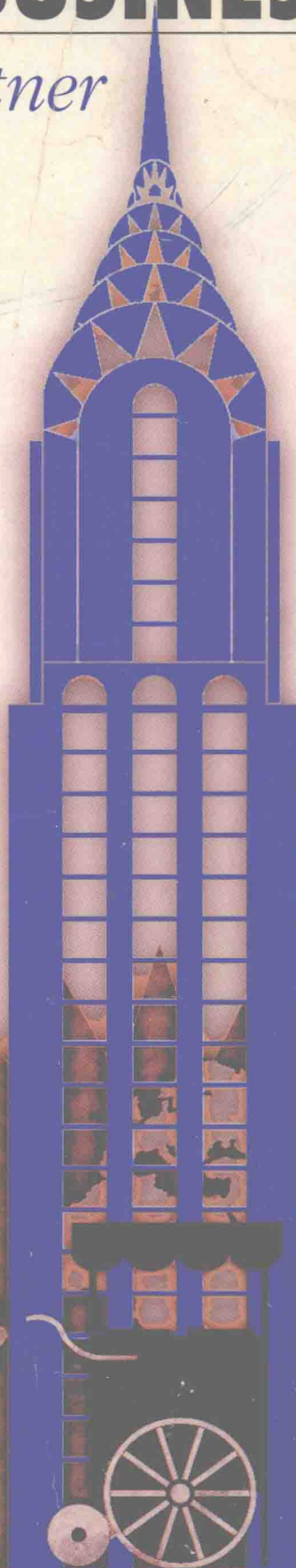


TELECOURSE STUDY GUIDE

# THE BUSINESS FILE

*Raymond F. Attner*

*5th Edition*



DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

**Telecourse Study Guide to  
The Business File**

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**Fifth Edition**

**Raymond F. Attner  
Brookhaven College**

**for the  
Dallas County Community College District**

**Accompanying text:  
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by Straub and Attner**

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## Preface

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Welcome to the world of business--its excitement, its multiple environments, its challenges. What is business? Is it the private enterprise system? Is it producing and marketing a product or service? Is it managing the resources of the organization? Is it functioning in an environment influenced by government regulation, organized labor, and an unpredictable, and often volatile, economy? The answer to all these questions is "Yes." These are all elements of a business and the world of business. But how do they relate? What is business *really* all about?

*The Business File* has been designed to provide answers to these questions. The twenty-eight lessons of *The Business File* will enmesh you in the inner workings of a business: its functions, the critical concepts and processes involved in business, the challenges facing business, and the influences that can affect business decision making.

The approach in designing the course has been to build logically your business experience. Initially you are exposed to the climate of business: the private enterprise system, from both a business and an economic perspective, and an examination of the businesses that make up business. The content then becomes more focused, shifting to the examination of a business: its legal forms and the processes involved in organizing and managing a business. The course quickly gains momentum as you explore the functions or tasks that are common to all businesses: the management of production, marketing, finance, risk, information, and accounting. Once you know the inner workings of a business, decisions that must be made, and activities that have to be accomplished, you are prepared to examine the external environments that affect business and within which business must function: labor, government regulation, social responsibility, law, and the economy. Finally, you will learn about the challenges facing business: high technology, productivity, and business on an international scale.

The objective of *The Business File* is to provide you with the opportunity to see the business environment and the workings of a business as an insider. You should understand what happens within the functions of a business. You should know what activities take place, what processes are critical, and why. You should *feel* the pulse of business. I hope *The Business File* will result in a better understanding of business and the world of business.

## The Learning System

The learning system you will use as you work through *The Business File* has three components: a telecourse study guide, a text, and video programs. Together they provide an integrated learning system. Let's examine each of the components for its purpose and application to your learning experience.

### Telecourse Study Guide

The telecourse study guide is intended to be your road map through *The Business File*. It serves as the starting point for each lesson's learning experience, telling you when and how to use the text and video segment. It will serve as your point of reference for reading assignments, key terms, viewing experience, and individual testing. Each lesson within the telecourse study guide includes the following elements.

- **Learning Objectives.** The Learning Objectives are what you are expected to know when you complete the lesson. They serve as the basis for examination. They are the main points emphasized in the Overview section of the study guide, in the reading assignment, and in the video program.
- **Overview.** The Overview provides a narrative summary of the lesson. Its purpose is to focus your attention on the critical elements developed in the lesson by integrating material from the text reading assignment with information from the video portion of the lesson. In some instances, the Overview includes material to provide a bridge between textbook material and the video program.
- **Reading Assignment.** The Reading Assignment, given under the heading Before Viewing in each lesson, provides the theoretical information needed to master the Learning Objectives from each lesson.
- **Key Terms.** The Key Terms are words or phrases you should be able to define to use appropriately in the business environment.
- **Video Focus Questions.** The Video Focus Questions provide a guide to the major points discussed by the program host, businesspeople, and academicians. The name of the guest is mentioned in the focus question to help you identify the person and the point he or she is making. Before viewing, use these questions to focus your attention on the important concepts included in the video program. After viewing, use these questions as a review. If you have questions about the material presented, view the program a second time.

- **Self-Test.** The Self-Test should give you an indication of how well you have mastered the Learning Objectives of each lesson. The tests are composed of seven true/false and seven multiple choice questions. Each question is designed to test your knowledge of the material discussed in the text, the telecourse study guide, or the video program.
- **Business in Action and Your Business Portfolio.** These exercises give you an opportunity to investigate or to apply the concepts and principles presented in each lesson. The Business in Action exercises will help you investigate how the concepts and processes introduced in each lesson are applied in the business environment. Through a series of investigative assignments, you will have the opportunity to observe business in action. Your Business Portfolio is designed to have you apply the concepts and processes presented in the lesson. By participating in the experiences, reflecting on them, and analyzing the results, you will have the opportunity to become involved in business. These exercises can be used as individual case assignments or as the basis for group discussions. Your instructor will provide directions for the application of the Business in Action and Your Business Portfolio exercises.
- **Answer Key.** The Answer Key located at the end of each lesson serves as the feedback device for the Self-Test. The answer for each question is referenced to a section of the text (T), the telecourse study guide (TG), or the video program itself (V).

## Text

The text for this course is *Introduction to Business*, Fifth Edition, by Joseph T. Straub and Raymond F. Attner. The purpose of the text is to provide a theoretical knowledge base for your introduction to business. Included in the text are vocabulary definitions, explanations of concepts, practical illustrations of business in action, and profiles of businesspeople.

## Video Programs

The video programs give you access to the world of business. In each video program, the major concepts and processes included in the lesson are explained initially by college professors. Then, leading businesspeople discuss the practical application of the concepts and processes. In addition, the camera gives you the opportunity to travel to the environments where the action takes place, facilitates your learning by presenting difficult concepts in graphic form, and presents real-life documentary case problems.

Using video for learning is not like watching a comedy series or a sporting event. At first you will have to concentrate on *active* watching. It is very easy to slip into the passive, half-viewing state used when watching television solely for entertainment.

To maximize your learning from the video programs, you may need to watch the programs more than once. In most instances, you will have a chance to review the lesson in an alternate time period, or watch video cassettes of the lesson at the learning center or other facility on campus, or record the broadcasts if you have a videocassette recorder.

If you have an audio recorder available, tape the audio portion of the program as you are viewing it. After you have watched the program and can visualize it, the audio portion is an excellent source for review. If you have any questions about content or wish additional information, contact your faculty advisor at the campus where you are enrolled. He or she is a resource for you to use.

## How to Use the Telecourse Study Guide: Suggested Study Sequence

This learning system has been carefully developed to utilize the best features of each of the three components. To progress comfortably, please follow this study sequence in the telecourse study guide.

- **Review the Learning Objectives.** The Learning Objectives will tell you what you are supposed to learn during each lesson. The test questions will evaluate your mastery of these objectives.
- **Read the Overview.** The Overview will assist you in concentrating on the major topics to be developed in the lesson. In some instances supplementary material has been included to provide a bridge between textbook material and video discussions.



- **Read the Text Assignment.** The reading assignment for each lesson provides you with the theoretical concepts on which the video program is based.
- **Define the Key Terms.** Write out workable definitions for your Key Terms.
- **Review the Video Focus Questions.** The Video Focus Questions will help you become comfortable with the sequence of topics introduced in the video program. Look over the Video Focus Questions before viewing, take notes on the questions while viewing, and after watching the program go over the answers to complete the questions.
- **Complete the Self-Test.** The Self-Test will provide feedback on your understanding of the lesson material. Questions have been developed from the text, telecourse study guide, and video program. Check your answers by using the Answer Key at the end of each lesson. If you did not answer the questions correctly, review the referenced material. All answers in the Answer Key are referenced to the text, the telecourse study guide, or the video program.
- **Complete the Business in Action and Your Business Portfolio Exercises.** Your Business Portfolio exercises are intended for your personal use. Complete these exercises as you progress through the course and use them as a basis for completing your own learning process. The Business in Action exercises can also be completed as part of your personal learning experiences or they can be assigned by your instructor for evaluation and discussion. Both exercises are valuable tools for increasing your understanding of the lesson material.



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*Ray Attner*

# Contents

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Lesson 1	The Business of Business .....	1
Lesson 2	Comparative Economic Systems: Is Capitalism the Best? .....	9
Lesson 3	Business Opportunities: Large and Small.....	19
Lesson 4	Forming a Business: Proprietorships and Partnerships.....	29
Lesson 5	Forming a Business: Corporations.....	37
Lesson 6	Managing Business Organizations .....	45
Lesson 7	Creating an Organization .....	55
Lesson 8	Human Resources: Acquisition and Development.....	65
Lesson 9	Managing Human Resources .....	75
Lesson 10	Producing the Product .....	85
Lesson 11	Marketing Concepts .....	95
Lesson 12	Marketing Product Strategy .....	103
Lesson 13	Marketing Promotional Strategy .....	111
Lesson 14	Marketing Distribution Strategy.....	121
Lesson 15	Marketing Pricing Strategy .....	131
Lesson 16	Managing Financial Resources: Short-Term Funds .....	141
Lesson 17	Managing Financial Resources: Long-Term Funds .....	149

Lesson 18	Managing Risk.....	157
Lesson 19	Managing Information.....	167
Lesson 20	Accounting for Profits .....	177
Lesson 21	The Environment: Business and Labor .....	187
Lesson 22	The Environment: Business and Government Regulation .....	197
Lesson 23	The Environment: Business and the Law.....	205
Lesson 24	The Environment: Business and the Economy.....	215
Lesson 25	The Environment: Business and Social Responsibility .....	225
Lesson 26	The Challenge of High Technology.....	233
Lesson 27	The Challenge of Productivity.....	241
Lesson 28	The Challenge of Business on an International Scale .....	251

## **LESSON 1**

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# **The Business of Business**

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### **Learning Objectives**

After studying this lesson, you should be able to:

1. Describe the different types and sizes of firms that compose the American business system.
2. Describe the role of goods-producing and services-producing firms in the American business system.
3. Explain the concept of the private enterprise system.
4. Describe the role of profit and competition in the private enterprise system.
5. Relate the concept of the private enterprise system to capitalism.
6. Relate the concept of supply and demand to the private enterprise system.
7. Explain the evolution of the American business system.

### **Overview**

Business and businesses are everywhere, and everyone is a part of the business scene. Do you have an image in your mind of what “business” is? Is it corporations like Xerox, Home Depot, Procter & Gamble? If it is, you’re right, but there is more to business than these large corporations. It is the neighborhood service station, the beauty shop, the pizza place, the grocery store. It also includes the truck lines that haul your goods, the airlines, and yes, the “mom-and-pop” store just around the corner. Businesses do come in all shapes and sizes, but despite the variations in size and activity, each is a business because each is an organization engaged in producing and selling, at a profit, goods and services that consumers want.

When you examine the operations of business further, businesses can be classified as either goods-producing or services-producing firms. Goods-producing firms (manufacturing, mining, and construction firms) play a significant role in the business environment by producing goods--items that have a physical presence. Services-producing firms (transportation firms, insurance companies, dry cleaners) provide services--activities that benefit consumers or other businesses. But, regardless of the type of business, all businesses:

- Require the same functions or activities to be performed to operate the business.
- Use the same inputs (known as the factors of production) to produce the final goods and services.

The environment in which these businesses operate is known as the private enterprise system. The private enterprise system is an economic system in which businesses or enterprises are privately owned. This system is based on four principles or rights.

- The right to private ownership of property (individuals have the right to buy, own, use, and sell property as they see fit).
- The right of freedom of choice (individuals have the right to decide what type of work to do, where to work, and how and where money is spent).
- The right to compete (people have the freedom to compete with others).
- The right to profit (the person who takes the chance in starting the business by investing is guaranteed the right to all profits).

Profit and competition are the cornerstones of the private enterprise system. Profit is the amount of money remaining from a firm's sales revenues after it deducts its total expenses--production costs, operating expenses, and taxes. It serves as a reward for risk taking, measures success, and provides the guidelines for directing investment into a business. The second cornerstone, competition, affects both the businessperson and the consumer. For the businessperson competition is the key to being and staying sharp in the marketplace. It forces companies to alter pricing and product strategies, have the product where and when it is needed, and place a premium on product improvement. The consumer in turn benefits from this competition by having a better quality and variety of product available.

In economic terms, the private enterprise system is called capitalism--an economic system where both the factors of production and the businesses are owned by private individuals--not by the government. Initially, the private enterprise system was pure capitalism or a market economy, one in which economic decisions were made freely according to the forces of supply and demand.

In pure capitalism, the marketplace, or supply and demand, is in operation--the government does not interfere in the marketplace. Producers and consumers pursue their own self-interests. Producers make as much as they can sell and consumers buy as much as they can afford. In this interaction, consumers demand more of a product as its price decreases. On the other hand, producers are more willing to supply a product that can be sold for a higher price. The converse is also true. Consumers demand less of a product as its price increases while suppliers are willing to supply less of a product as its price decreases. In pure capitalism the two factors of supply and demand will balance each other out in such a way that some middle ground, called an

equilibrium price, will be achieved. Thus the marketplace is regulated by the interaction of buyers and sellers. Each person behaves in the best interests of society, as if guided by an invisible hand.

Over time, the American business system of private enterprise has gone through a number of changes. In economic terms, pure capitalism has evolved into mixed capitalism--an economic system based on a market economy with limited government involvement. While this change was occurring, business was evolving through four identifiable stages or eras. These stages include the colonial era, the Industrial Revolution era, the growth of modern industry stage, and the international power stage.

### **Before Viewing**

- Review the Overview and Learning Objectives for this lesson.
- Read the following assignment from the text *before* watching the video segment: Straub and Attner, *Introduction to Business*, Fifth Edition. Chapter 1, pages 5-16, 20-24.
- Define the Key Terms listed in the next section.
- Review the Video Focus Questions and take notes on the questions when viewing the program.

### **Key Terms**

Terms are referenced to a page of the text.

**business (p. 8)**  
**capitalism (p. 12)**  
**entrepreneur (p. 11)**  
**entrepreneurship (p. 11)**  
**factors of production (p. 10)**  
**goods (p. 9)**

**laissez-faire**  
**or hands-off approach (p. 14)**  
**mixed capitalism (p. 15)**  
**private enterprise system (p. 12)**  
**profit (p. 11)**  
**pure capitalism (p. 14)**  
**services (p. 9)**

## Video Focus Questions

1. What five elements does Professor Calvin Kent of Baylor University include in his description of the private enterprise system?
2. What are the four rights or foundations of the private enterprise system according to Professor Calvin Kent?
3. What two essential elements of an entrepreneur are noted by Professor Calvin Kent?
4. What are an entrepreneur's two roles in the private enterprise system according to Professor Calvin Kent?
5. What does the private enterprise system mean to Walter Durham, president of MESBIC Financial Corporation?
6. What does Walter Durham state that the private enterprise system does for the consumer?
7. What role does profit play in the private enterprise system according to Walter Durham? What role does profit play with entrepreneurs?
8. What does Walter Durham say is the impact of competition on the consumer?
9. What does the private enterprise system mean to Mo Siegel, president of Celestial Seasonings?
10. What consumer benefits of the private enterprise system are described by Mo Siegel?
11. What does Mo Siegel say is the role of profit?
12. What does profit allow Mo Siegel to do?
13. What example is provided by Mo Siegel to describe the effect of competition on Celestial Seasonings? What has competition forced him to do?
14. How does the law of supply and demand regulate the market according to Professor Calvin Kent? How is equilibrium reached?
15. Why does Professor Calvin Kent describe the determination of equilibrium in the marketplace as the "invisible hand"?

**View the video program "The Business of Business."**

## After Viewing

- Review and answer the Video Focus Questions. If you are uncertain of the information, or missed a point, view or listen to the program again.
- Review the Key Terms from your text and be sure you understand the Learning Objectives for this lesson.
- Take the Self-Test to check your understanding of the concepts presented in this lesson. Compare your answers to the Answer Key located at the end of the lesson. If you answered incorrectly, the key provides a reference point so you can review the material.
- Extend your learning by completing the Business in Action and Your Business Portfolio sections of the lesson.



## Self-Test

After reading the assignment and watching the video, you can use this Self-Test to check your understanding of the concepts presented in this lesson. Compare your answers to the Answer Key located at the end of the lesson. If you answered incorrectly, the key provides a reference point so you can review the material.

### True/False

Read each statement. If the statement is true, circle the T. If the statement (or any part of the statement) is false, circle the F.

- ☒ T   F   1. The American business system is composed of a wide variety of businesses.
- T   ☒ F   2. A goods-producing firm develops concepts and ideas--nontangible commodities.
- ☒ T   F   3. According to Professor Calvin Kent of Baylor University, the private enterprise system is characterized by decisions made in the marketplace as opposed to state planning.
- ☒ T   F   4. The right of freedom of choice applies to the individual's right to decide what work to do, where to work, and how and where money is spent.
- T   ☒ F   5. According to Professor Calvin Kent, an entrepreneur is a person who has vision and capital.
- T   ☒ F   6. In pure capitalism, as opposed to mixed capitalism, the government plays a dominant role.
- True ☒ T   ☒ F   7. The colonial era in the evolution of American business is characterized by agricultural production as a basis of commerce.

### Multiple Choice

Read each of the following items. Decide which of the choices (A, B, C, or D) best answers the question, and circle that letter. There may be more than one correct answer, but there will be only ONE best answer.

1. Which of the following is an example of a services-producing firm?
- A. Hat manufacturer
  - B. Computer manufacturer
  - C. Lumber mill
  - ☒ D. Insurance company

2. According to Walter Durham, president of MESBIC Financial Corporation, what does the private enterprise system mean?
  - A. Government intervention
  - ☒ B. Opportunity and freedom
  - C. Profit and taxes
  - D. Ambition and reward
3. According to Mo Siegel, president of Celestial Seasonings, which of the following describes the role of profit in the private enterprise system?
  - A. It is a measuring device.
  - B. It implies success.
  - ☒ C. It drives the system.
  - D. It pays for government expenditures.
4. Which of the following is true about competition?
  - A. It results in cutthroat tactics.
  - B. It may mean rushing the product onto the market.
  - ☒ C. It is one of the cornerstones of the private enterprise system.
  - D. It lessens the quality of products.
5. Which of the following is the economic system referred to as the private enterprise system?
  - ☒ A. Capitalism
  - B. Communism
  - C. Neocapitalism
  - D. Socialism
6. In pure capitalism the marketplace is
  - A. dominated by a few large firms.
  - ☒ B. regulated by the interaction of buyers and sellers.
  - C. controlled by goods-producing organizations.
  - D. pressured by price instability.
7. Which of the following is a phase or era of American business?
  - A. The colonial era
  - B. The Industrial Revolution era
  - C. The growth of modern industry era
  - ☒ D. All of the above