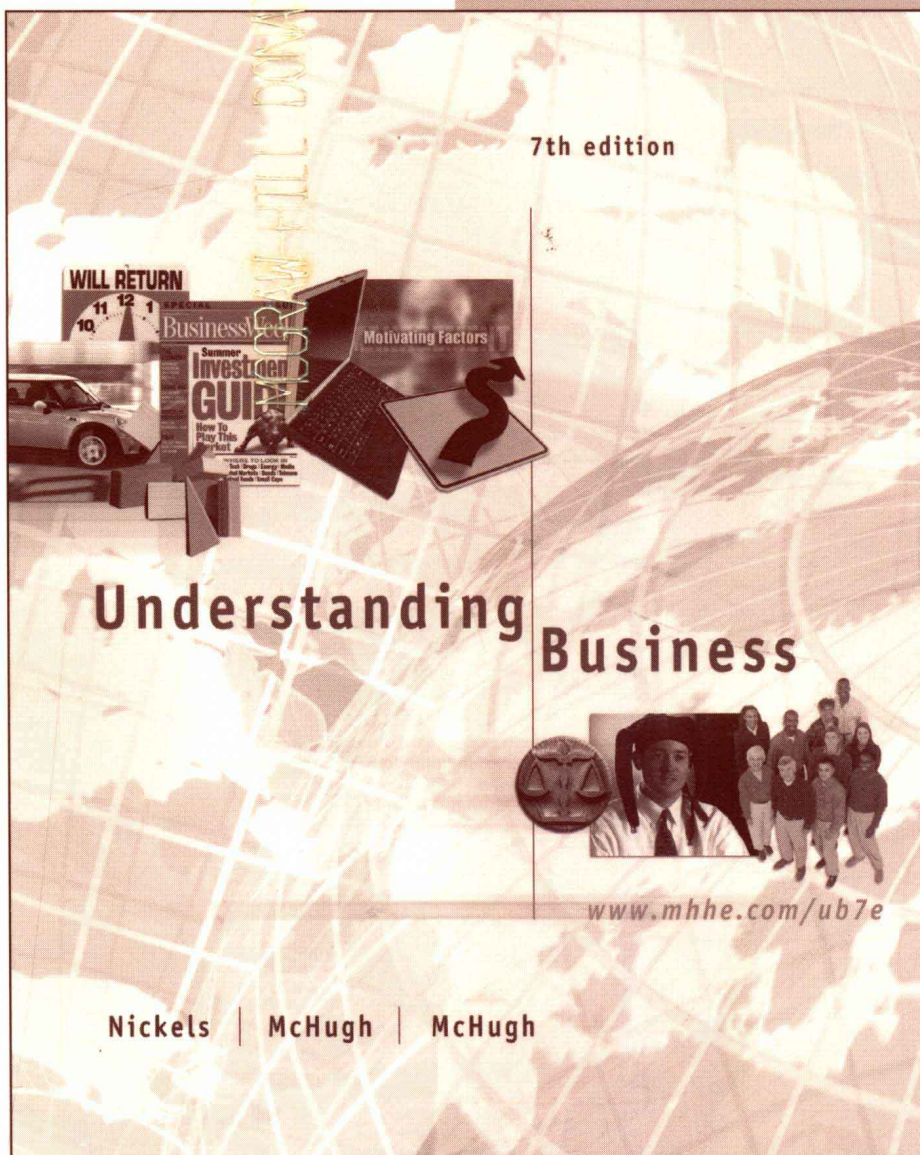


# Student Assessment and Learning Guide

for use with



Prepared by  
Barbara Barrett



# Student Assessment and Learning Guide

for use with

# Understanding Business

Seventh Edition

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UNDERSTANDING BUSINESS  
William G. Nickels, James M. McHugh and Susan M. McHugh

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# TO OUR STUDENTS

This study guide is designed to give you, the Introduction to Business student, every advantage in mastering the concepts presented in *Understanding Business*, seventh edition, by Bill Nickels, Jim McHugh and Susan McHugh.

**Using this study guide will give you an edge;** you will go beyond just memorizing terms, to developing and using the critical thinking and creative problem solving skills that are so important in today's dynamic business environment.

## Using The Study Guide

There are many different ways to learn, so I can only make suggestions about how to use this guide more effectively. You may find a different way, which suits you better.

First, this study guide is not designed to replace reading the text! In fact, reading the text is an integral part of using this study guide. You can use the guide to help point out places where you need more work, or need to review. The guide is very detailed, and requires you not only to remember facts, but also to apply concepts in a way that will help you to develop a better understanding of today's business environment.

You will find that there is a lot of writing in completing these exercises. Writing the answers to the questions, rather than just choosing a number or matching a term with a letter, will help to reinforce the material. You will also be better prepared to answer essay or short answer questions when you have studied by writing out answers in your own words.

Finally, to make effective use of this study guide, I suggest that you:

- Read the text before each class period, and outline important concepts. You will probably have a syllabus that outlines the reading assignments for each class.
- Attend class and take good, detailed notes. Ask questions in class; get involved!
- Do the exercises in the study guide *after* you have completed the first two steps. . I would suggest that you do the exercises in stages, and not try to do the whole chapter at one sitting. For example, if there are 6 learning goals, do the exercises pertaining to the first three learning goals on one day, and then complete the remaining exercises the next day. Or, do the factual based exercises one day, the critical thinking exercises the next, and so on.
- Do *all* the exercises in the guide, not just the ones that take less time!
- Review your answers, and mark the questions you had problems answering. Then, reread the section of the text that deals with those areas.
- Before a test, review your class notes, the text and the study guide material.
- Remember, your instructor may add material in class that is not in the text, and the study guide won't cover that material. That takes us back to the first suggestions: read the book before class, attend every class, take notes, and get involved!

## Design Of This Study Guide

Each chapter in this guide contains the following sections to help you be successful in this Introduction to Business course.

- **Learning goals:** Each learning goal is listed in the order in which it appears in the text. This is to help you focus on what is important throughout the chapter. The appropriate learning goal for each exercise is also noted in the side margin as you go through the chapter.
- **Learning the Language:** This section identifies the key terms and definitions from the chapter. This is a matching section, in which you read the definition then choose the appropriate term. Many of the definitions will be direct quotes from the chapter, or a slight variation.
- **Assessment Check:** These exercises help you to learn the facts of the material from the text. You will be writing answers to factually based questions from the chapter, organized by learning goals. This section is designed to develop your knowledge of the text material. I suggest you keep the book nearby while doing these exercises, but do as much as you can without opening the book. This will help you to determine the areas where you need to review.
- **Critical Thinking Exercises:** Business people need a variety of skills. Among the most important skills you can bring to a job is the ability to think for yourself, analyze problems, develop solutions based upon your analysis, and present the solutions in written form. There are many opportunities to hone these skills with this text. In this section of the study guide, the questions will require you to think and apply the material from the chapter to come up with a solution to the situation presented. These application questions are designed to provide you with the opportunity to enhance your decision-making skills and understanding of the material. In some cases, there are no definitive answers, only suggested answers.
- **Practice Test:** In all likelihood, you will be required to take some objective exams. The practice test is divided into two sections, multiple choice, and true false. Keep in mind this is only a sample of the types of questions you could see on an exam, and these are not the actual questions you will see on a classroom test! The practice exam will give you the chance to find out what areas of the chapters you need to take some extra time with before your classroom exam.
- **You Can Find It On The Net:** Business research is an integral part of being a successful businessperson. These Internet exercises provide an opportunity to practice your research skills on the Internet. The web addresses listed are only an entry to the information available; there is so much to explore on the Internet! Use your imagination to see where you can “travel”! The web sites were valid at the time of this writing. Please understand that the Internet changes daily, and not all the web sites may be available when you are completing the exercise.
- **Answers:** The answers to all the Retention Check, Critical Thinking Exercises and Practice Tests are at the end of each chapter.

There is no substitute for just plain hard work. To be successful in tomorrow’s work world, you will need to work hard today to develop the skills employers are looking for. The text, *Understanding Business*, and this study guide are designed to help you to be successful by starting you on the road to developing those skills. The rest is up to you. Good Luck!

## **Acknowledgements**

Many thanks are due, and I will be brief. First, thanks to Bill Nickels, Susan McHugh and Jim McHugh, and to McGraw-Hill/Irwin for allowing me to continue my involvement with this wonderful text. Sarah Reed, thanks for your patience. To Ryan and Chad, thank you for your support, understanding, and computer consultation! And to all my colleagues at the Meramec campus of St. Louis Community College, thanks for your support and encouragement.

Barbara Barrett

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## CHAPTER 1 – MANAGING WITHIN THE DYNAMIC BUSINESS ENVIRONMENT – TAKING RISKS AND MAKING PROFITS

### LEARNING GOALS

After you have read and studied this chapter, you should be able to:

1. Describe the relationship of businesses' profit to risk assumption and discuss how businesses and nonprofit organizations add to the standard of living and quality of life for all.
2. Explain the importance of entrepreneurship to the wealth of an economy.
3. Examine how the economic environment and taxes affect businesses.
4. Illustrate how the technological environment has affected businesses.
5. Identify various ways that businesses can meet and beat competition.
6. Demonstrate how the social environment has changed and what the reaction of the business community has been.
7. Analyze what businesses must do to meet the global challenge including the effect that war and terrorism have had on business.
8. Review how trends from the past are being repeated in the present and what such trends will mean for the service sector.

### LEARNING THE LANGUAGE

Listed below are important terms found in the chapter. Choose the correct term for each definition and write it in the space provided.

Business	Factors of production	Revenue
Business environment	Goods	Risk
Database	Loss	Services
Demography	Nonprofit organization	Stakeholders
E-commerce	Productivity	Standard of living
Empowerment	Profit	Technology
Entrepreneur	Quality of life	

1. The resources businesses use to create wealth are called \_\_\_\_\_.
2. Buying and selling products and services over the Internet is known as \_\_\_\_\_.
3. \_\_\_\_\_ refers to the general well-being of a society.
4. An \_\_\_\_\_ is the person who risks time and money to start and manage a business.
5. Products that are intangible, such as health care and education, are known as \_\_\_\_\_.
6. A \_\_\_\_\_ is any activity which seeks to provide goods and services to others while operating at a profit.
7. When a business's costs and expenses are more than its revenues a \_\_\_\_\_ has occurred.
8. Entrepreneurs take a \_\_\_\_\_ when they take a chance that they will lose time and money on a business that may not prove to be profitable.



9. A society's \_\_\_\_\_ is the amount of goods and services people can buy with the money they have.
10. A \_\_\_\_\_ is an organization whose goals do not include making a personal profit for its owners.
11. An electronic storage file where information is kept is known a(n) \_\_\_\_\_.
12. When we study \_\_\_\_\_, we are looking at a statistical study of the human population to learn its size, density and other characteristics such as age, race gender and income.
13. Known as \_\_\_\_\_, this means giving frontline workers the responsibility and freedom to respond quickly to customer requests.
14. Computers, food, clothing and appliances are tangible products known as \_\_\_\_\_.
15. \_\_\_\_\_ is the money a business earns above and beyond what it spends for salaries and other expenses.
16. A organization's \_\_\_\_\_ are the people who stand to gain or lose by its policies and activities
17. The total amount of money a business earns in a given period by selling goods and services is called \_\_\_\_\_.
18. \_\_\_\_\_ is considered to be everything that makes business processes more efficient and productive, such as phones, copiers, computers, personal digital assistants and various software programs.
19. The surrounding factors of the \_\_\_\_\_ either help or hinder the development of businesses.
20. The amount of output a worker generates given the amount of input such as hours worked is called \_\_\_\_\_.

## **ASSESSMENT CHECK**

### *Learning goal 1*

#### **Business and Entrepreneurship: Revenues Profits and Losses**

1. What are two things businesses provide for people?
2. The difference between revenue and profit is:
3. When does a company experience a loss? Over time, what will likely result from business losses?

4. What is the relationship between risk and profit?
5. How do the federal government and local communities use the taxes that are paid by employees and businesses?
6. Contrast “standard of living” with “quality of life”
7. Why might the same product, such as a container of milk or a bottle of beer, cost more in one country than in another?
8. What is required to maintain a high quality of life?
9. Describe the challenges businesses of the 21<sup>st</sup> century will face with regard to stakeholders and profitability.
10. How do nonprofits use financial gains?

*Learning Goal 2*

**Entrepreneurship Versus Working for Others**

11. What are two ways to succeed in business, according to the text? What are the advantages of each way?
12. How have individuals from other countries, members of minority groups, and women business owners in the United States participated in entrepreneurship?
13. What are the 5 factors of production?
- a. \_\_\_\_\_ d. \_\_\_\_\_
- b. \_\_\_\_\_ e. \_\_\_\_\_
- c. \_\_\_\_\_
14. Which two factors of production are considered the key ingredients to making countries rich?
- a. \_\_\_\_\_ b. \_\_\_\_\_
15. What factors contribute to keeping poor countries poor?
- a. \_\_\_\_\_ b. \_\_\_\_\_ c. \_\_\_\_\_

*Learning Goal 3*

**The Business Environment**

16. What are the 5 elements in the business environment?
- a. \_\_\_\_\_ d. \_\_\_\_\_
- b. \_\_\_\_\_ e. \_\_\_\_\_
- c. \_\_\_\_\_
17. What are the results of a healthy business environment? What are the results of poor business environmental conditions?

## **The Economic and Legal Environment**

18. What impact will a high tax rate have on entrepreneurship?
19. One way for government to actively promote entrepreneurship is to allow:
20. When government owns most businesses, how are people affected? How is government business ownership changing?
21. According to the text, what are three other actions governments can take to foster entrepreneurial growth?
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_

### *Learning goal 4*

## **The Technological Environment**

22. Define the term "efficiency".
23. How do tools and technology affect productivity? Regarding this topic, why do workers in the United States make more money than workers in other countries?
24. What are the two major types of e-commerce transactions? Which is larger?



25. How do businesses make use of bar codes?
26. Once the information from the bar code is in a database, how do companies use the information?

*Learning Goal 5*

**The Competitive Environment**

27. What must companies offer in order to stay competitive in today's world markets?
28. Companies compete by:
- a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
29. In order to be successful today, who must organizations listen to, and why?
30. Why is it important for a company to "compete with speed?"
31. Speed of service must be accompanied by:
- a. \_\_\_\_\_
  - b. \_\_\_\_\_

32. Describe the new role of supervisors in the era of empowerment.
33. What must businesses do to make their employees more effective, and how have many firms done this?
34. Increasingly, managers' jobs will be to:

*Learning Goal 6*  
**The Social Environment**

35. What are the general ways in which the social environment is changing?
- a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  - d. \_\_\_\_\_
36. Describe how the diversity of the population in the U.S. will change in the future.
37. How has the meaning of diversity changed?
38. How has the increasing diversity of the workforce affected the management of the workforce?
39. What kinds of business opportunities are presented by the increase in the number of older Americans?

40. There has been dramatic growth in the number of two income families and of single parent families in the United States. These families have different needs than workers of the past. What kinds of programs have companies implemented to respond to those needs?

*Learning Goal 7*

**The Global Environment**

41. Two important global environmental changes have been:
42. The impact of these changes on U.S. and Japanese businesses have been:
43. How have U.S. firms changed in response to increased global competition?
44. Describe the effects of war and terrorism on business.

*Learning Goal 8*

**The Evolution of American Business**

45. How has farm employment changed in the last century, and why?
46. What has been the consequence of increased productivity in the manufacturing sector regarding jobs? Where have workers found jobs as a result?

47. How important is the services industry to our economy and to job creation?

## **CRITICAL THINKING EXERCISES**

### *Learning Goal 1*

1. Monika lives in Germany, works for the Mercedes plant in her hometown and makes the equivalent of \$55/hour American. Her cousin Joe lives in the United States and works for the Chrysler plant in his hometown. When Monika visits Joe she is amazed at how big his house is compared to where she lives, his stereo equipment and how well he seems to live. "Boy" says Monika, "I sure can't live like this at home. Why not?"

### *Learning Goals 1,2*

2. Revelle Industries is a small company located in an area of the country where unemployment has been very high for the last 5 years. In 1990, Revelle was struggling. There were only 20 employees, and profits were low. With new management things began to turn around, and now Revelle employs almost 75 people. This year they sold 120,000 units of their only product line, a component part used in the manufacture of automobiles. The price of their product is \$20/unit. The cost of salaries, expenses and other items was \$2,050,000. Sales forecasts look good for the next several years, as Revelle has customers world wide and will be expanding their product line in the next 18 months.
  - a. What are Revelle's revenues?
  - b. What are Revell's profits?
  - c. How has the company generated wealth and created a higher standard of living?



*Learning Goal 3*

3. Eastern Europe experienced dramatic changes during the 1990's, with changes in both government and economic policies. The newly formed countries have struggled for the last decade with questions about how to be successful in the 21<sup>st</sup> century. What will be the key to developing the economies of these countries?

*Learning Goal 4*

4. Schnucks is a large grocery retailer located in the St. Louis, Missouri area. The company is expanding, and continually improving the technology in their stores. How can a database help Schnucks better serve its customers? How do you think a grocery store such as Schnucks will compete in the area of e-commerce?

*Learning Goal 5*

5. Consider your college or university, or, if you are employed, consider the company for which you work:
  - a. Who are its competitors?
  - b. How does the organization meet and (hopefully) exceed their customers' expectations?
  - c. Who are the organization's stakeholders? Does it meet the needs of the stakeholders? Why or why not?
  - d. How does the organization "compete with speed?"
  - e. How has the organization restructured to empower its workers?