

Student Assessment and Learning Guide

for use with

Understanding Business 5th Edition



Nickels • McHugh • McHugh

Prepared by
Barbara Barrett

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for use with

UNDERSTANDING BUSINESS

Fifth Edition

THE MCGRAW-HILL COMPANIES

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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 the fifth edition of *Understanding Business*, fifth 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, 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 which 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.
- **Retention 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.
- **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

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Barbara Barrett

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CHAPTER 1

FINDING OPPORTUNITIES IN TODAY'S BUSINESS ENVIRONMENT

LEARNING GOALS

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

1. Describe how businesses and nonprofit organizations add to the standard of living and quality of life.
2. Explain the importance of entrepreneurship to the wealth of an economy and show the relationship of profit to risk assumption.
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 business has been.
7. Analyze what businesses must do to meet the global challenge.
8. Compare the new quality standards and identify what businesses are doing to meet those standards.
9. Review how trends from the past are being repeated in the present and what that 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	ISO 14000	Quality of life
Databank	Loss	Risk
Demography	Multiculturalism	Services
Entrepreneur	Nonprofit organization	Stakeholders
Factors of production	Productivity	Standard of living
Goods	Profit	Telecommuting
ISO 9000	Quality	

1. The resources businesses used to create wealth are called _____.
2. _____ is the total output of goods and services in a given period of time divided by work hours.
3. The quality and management assurance standards known as _____ are published by the International Organization for Standardization.
4. _____ refers to the general well-being of a society.
5. An _____ is the person who takes the risk of starting and managing a business.
6. Products, which are intangible, such as health care and education, are known as _____.
7. A _____ is any activity, which seeks profit by providing goods and services to others.
8. When a business's costs and expenses are more than its revenues a _____ has occurred.
9. You take a _____ when you take a chance that you will lose time and money on a business that may not prove to be profitable.
10. A society's _____ is the general level of ability to buy goods and services.
11. A _____ is an organization whose goals do not include making a personal profit for its owners.
12. An electronic storage file where information is kept is known as a(n) _____.

13. When we study _____, we are looking at a statistical study of the human population to learn its size, density and characteristics.
14. In today's firms, _____ is defined as providing customers with goods and services that go beyond the expected.
15. Houses, food, clothing and TV sets are tangible products known as _____.
16. _____ is the money a business earns above and beyond what it spends for salaries, expenses and other costs.
17. An organization's _____ are the people who stand to gain or lose by its policies and activities.
18. Today, _____ allows workers to stay home and send in their work by telecommunications.
19. The process of optimizing the contribution of people from different cultures is commonly known as _____.
20. Known as _____, this is a collection of the best practices for managing an organization's environmental impacts.

RETENTION CHECK

Learning Goal 1 **What is a Business?**

1. Contrast "standard of living" with "quality of life".

2. Explain how businesses, nonprofit organizations and volunteer groups work to accomplish the same objectives.

Learning Goal 2 **Opportunities for Entrepreneurs**

3. How have entrepreneurs benefited from corporate downsizing?
4. What is the difference between revenue and profit?
5. When does a company experience a loss?
6. What is the relationship between risk and profit?

7. What are the 5 factors of production?

- a. _____ d. _____
b. _____ e. _____
c. _____

8. Which two factors of production are considered the key ingredients to making countries rich?

- a. _____ b. _____

9. What factors contribute to keeping poor countries poor?

- a. _____ b. _____ c. _____

Learning Goal 3 **The Business Environment**

10. What are the 5 key environmental factors critical to the success of business?

- a. _____
b. _____
c. _____
d. _____
e. _____

11. Why is a healthy business environment important?

Learning Goal 3 **The Economic Environment**

12. According to the text, what are four actions governments must take to foster entrepreneurial growth?
- a. _____
- b. _____
- c. _____
- d. _____

Learning Goal 4 **The Technological Environment**

13. What is the Internet?
14. What is a CIO and what is the role of the CIO in business?
15. What is the most important role for an information manager?

16. What information does a bar code provide?
17. How or where is that information stored?
18. What technology makes it possible for you to receive the right ads about the right products at the right time for you to purchase?

Learning Goal 5 **The Competitive Environment**

19. What are the three elements U.S. companies have found they must offer in order to stay competitive in today's world markets?
- a. _____ b. _____ c. _____
20. Companies compete by:
- a. _____
- b. _____
- c. _____
- d. _____

21. Who or what is “driving” business today?
22. Who are a company’s stakeholders?
23. What impact has downsizing had on lower-level workers?
24. How will managers’ jobs change?
25. Businesses are finding that in order to be competitive in today’s marketplace, they must:
a. exceed customer expectations, b. meet the needs of the community, c. meet the needs of employees, and d. have concern for the environment. Briefly discuss the important elements of each of these areas.
- a. _____
- b. _____
- c. _____
- d. _____

Learning Goal 6 **The Social Environment**

26. What are 2 demographic trends which are affecting how we live and providing opportunities for U.S. firms?
 - a. _____
 - b. _____
27. In what ways can a multiculturally diverse population benefit U.S. businesses?
28. The desire for a more comfortable lifestyle combined with an interest in careers outside the home have created a surge in the number of two income families. These families have different needs than workers of the past. How have companies responded to the needs of two career families?

Learning Goal 7 The Global Environment

29. What is considered to be the number one global environmental change?
30. What have U.S. firms done in order to become world-class competitors?



31. What does NAFTA stand for and what three countries are parts of the agreement?

32. What impact has NAFTA had in the United States?

33. How do companies (and countries) benefit from free trade?

34. What are three ways in which changes in the global market will affect you?

a. _____

b. _____

c. _____