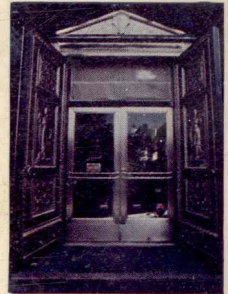
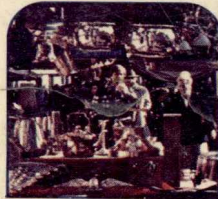
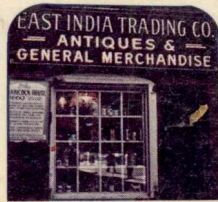
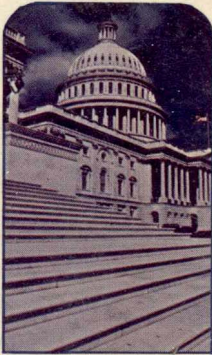


Learning Aid to Accompany

Introduction to Business a contemporary view

second edition



John A. Reinecke • William F. Schoell

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to Accompany

INTRODUCTION TO BUSINESS

a contemporary view

SECOND EDITION

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ISBN 0-205-05728-4

TO THE STUDENT

WHAT YOU CAN GAIN FROM USE OF THE *LEARNING AID*

Your first course in business lays the basic, essential foundation upon which you will build your understanding of the exciting world of business. Putting forth your best effort to learn the material presented during this course will be beneficial both in your future business courses and in your career. You will be better prepared for later courses and that alone will make them more interesting and relevant. That, of course, is dependent on the fact that you will make the best possible use of your abilities. Furthermore, a good understanding of this course will initiate thinking about where you may successfully fit into the business world.

This *Learning Aid* will help you to make the best use of your valuable study time. For best results you should use the *Learning Aid* as a workbook to check your progress as you read the corresponding chapters in the text. This will serve to indicate how well you understand the text material and also will point up the areas that require additional review for you.

THE ORGANIZATION OF THE *LEARNING AID*

For each chapter in the text, there is a corresponding chapter in the *Learning Aid*. The format of each chapter is as follows:

1. Build Your Business Vocabulary
2. Test Yourself (Multiple Choice)
3. Test Yourself (True—False)
4. Exercises

Build Your Business Vocabulary

Your job in these sections is to match key concepts from each chapter with phrases that describe or define each key concept. The correct answers to this self-test are given at the end of each chapter. For best results take this test after your first reading of the chapter. If you mismatch any pair, go back to the text and review.

You may attempt to read down the list of phrases and name or jot down the concept that fits each phrase *before* you look at the list of key concepts. Then follow the regular instructions for matching listed key concepts with the set of phrases.

Test Yourself (Multiple Choice)

In these sections you will attempt to select the best of several answers supplied to complete a statement or to answer a question. This self-test is similar to the type of exams your instructor may give. Correct answers are given at the end of each chapter. Take this test after your first reading of the chapter. Go back and review the text, if you do not achieve a perfect score.

To test yourself in greater depth, try changing and rewording the questions or statements so that more than one of the choices becomes a correct response. Or you could reword and modify the choices so that all of them would fit the question or statement. This extra effort on your part should pay off in greater understanding and better grades on exams.

Test Yourself (True–False)

These are statements that you will judge as being either *true* or *false*. If you believe one is false, determine why. The correct answers are given at the end of each chapter. Take this exam after your first reading of the chapter. Go back and review the text, if you do not achieve a perfect score.

As an extra learning tool, you might also do the following: If you think that a given statement is false, try to rewrite it so that it would be true. Likewise, if you think that a given statement is true, try to rewrite it so that it would be false.

Exercises

Your instructor may ask you to submit the completed exercises for a grade. There are matching exercises, short answer essays, crossword puzzles, and so forth. Even if you are not required to submit a particular exercise to be graded, it is a good idea to

complete it in order to prepare yourself for the formal exams. Furthermore, many of these exercises are enjoyable, especially the puzzles. The answers to these exercises are not given.

USING THE TEXTBOOK

To attain the maximum benefit from using the *Learning Aid*, you should make the best use of your textbook. Here are a few suggestions:

1. When you begin each section, take time to read carefully the section introduction. It gives you an overall idea of what is discussed in that particular section. It also helps you to organize the material in preparation for study.
2. When you begin each chapter, read over the statements that tell you what you should be able to accomplish after studying each chapter. Do the same for the lists of key concepts. These study aids help you to know *in advance* what is most important in the chapters.
3. Pay close attention to the words and sentences in boldface because they define the key concepts in each chapter. Notice that the key concepts are printed in the margin next to the definitions.
4. Read and think about the material that is included in the boxes that appear throughout the text. This will help you to become aware of and to develop opinions on controversial topics. It will also demonstrate to you that business is not boring. It is lively and there is room for differences of opinion.
5. It is wise to begin considering the careers that are available in business. The "Careers in Business" boxes are designed to give you some idea of specific types of jobs and careers in business and to initiate thought concerning your own career.
6. The charts, graphs, and tables are important in summarizing and emphasizing material discussed in the chapters. Take the time to study them closely. See if you can "put into words" the meaning of the graphs.
7. Pay particular attention to the *Summary and Look Ahead* section for each chapter. It summarizes what the chapter is about and tells you what to expect in the next chapter.
8. Go over the glossary of key concepts for each chapter to make sure that you understand the key concepts. All key concepts are listed in the glossary at the end of the text and you are referred to the chapter glossaries where they are defined. If you have difficulty in understanding other business terms,

- check the glossary at the end of the book. Chances are that those terms are defined there.
9. The *Questions for Discussion* near the end of each chapter are for review of the topics discussed in each particular chapter. Try to develop thoughtful answers to each one. Discuss the questions with your fellow students and others and be prepared to defend your answers.
 10. The two *Incidents* at the end of each chapter describe business situations. Put yourself into the situation and answer the questions given. Discuss the incidents with your classmates.
 11. There are 10 episodes of the Rocketoy Company included throughout the book. They trace the history of the firm's development. Be sure to read the introductory remarks about using the case method. The remarks precede the first episode in Chapter 1. By the time you read the last episode, you will have answered many questions and made many decisions that are very similar to the ones faced by managers every day.

INTERPRETING TABLES, GRAPHS, AND OTHER CHARTS

Your *Introduction to Business* textbook presents a wide variety of illustrations that summarize facts and relationships important to business. Because some of these may be unfamiliar to you, we will present several examples here along with an explanation of their use.

First, let's examine Table 1-1 from the text. This table shows how certain important economic measures have changed since 1950, with emphasis on the period 1970–75. The columns of numbers in this table (running vertically) represent different periods of time. Time, in this case, and in most cases, passes from left to right. The earliest year, 1950, is described in the left-most or first column.

At the far left the meaning of each line is given. For example, the top line is Gross National Product (GNP). In the lines below are various other measures of the nation's economy and those items added or subtracted in order to compute each. For example, National Income is computed by subtracting four items and adding one item to GNP.

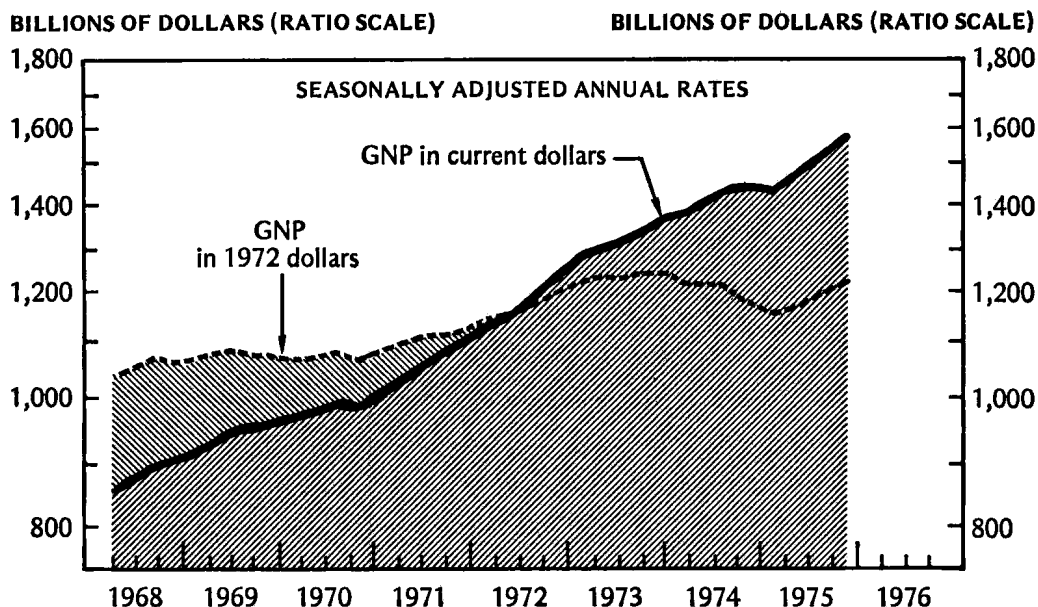
Two types of information can be obtained from such a table. You learn how GNP and other aggregate (total) measures of the national economy are related to each other in a given year, and how each main measure or component changes over time. You can see that GNP grew from \$286.2 billion in 1950 to \$1,499.0 billion in 1975. You can also see that in 1950 aggregate personal income was \$226.1 billion, but that \$20.6 billion of this was used for personal tax and nontax payments, leaving \$205.5 billion of disposable personal income.

Table 1-1. Relation of Gross National Product, National Income, and Personal Income and Saving

Item	(In billions of dollars)		
	1950	1970	1975
Gross national product	286.2	982.4	1,499.0
Less: Capital consumption allowances with capital			
consumption adjustment	23.9	90.8	152.5
Indirect business tax and nontax liability	23.4	94.0	137.2
Business transfer payments .....	.8	4.0	6.3
Statistical discrepancy	2.0	-2.1	-4.6
Plus: Subsidies less current surplus of government enterprises .....	.1	2.7	1.9
Equals: National income	236.2	798.4	1,209.5
Less: Corporate profits with inventory valuation and capital consumption adjustments	33.7	67.9	102.1
Net interest	2.3	37.5	81.6
Contributions for social insurance	7.1	58.7	108.3
Wage accruals less disbursements			
Plus: Government transfer payments to persons ...	14.4	75.9	168.7
Personal interest income	8.9	64.3	120.7
Dividends	8.8	22.9	32.8
Business transfer payments .....	.8	4.0	6.3
Equals: Personal income	226.1	801.3	1,264.0
Less: Personal tax and nontax payments	20.6	115.3	169.2
Equals: Disposable personal income	205.5	685.9	1,076.8
Less: Personal outlays	194.7	635.4	987.2
Personal consumption expenditures	192.0	618.8	963.2
Interest paid by consumer to business	2.3	15.5	23.1
Personal transfer payments to foreigners (Net) .....	.4	1.1	1.0
Equals: Personal saving	10.8	50.6	89.6
Disposable personal income in (1972) dollars	361.9	741.6	857.0

Source: *Federal Reserve Bulletin*, February 1976, p. A-55.

Figure 1-1 deals with only one of the same important measures of the overall economy—GNP. Instead of presenting actual numbers in table form, it presents numbers graphically. This means that a line is drawn to indicate the growth of that value over time (shown on the horizontal or left-to-right scale.) The amounts for each year are read by comparing the heights of the line with the vertical scale at the left. This scale is measured in billions of dollars. Looking at the continuous line you can see that GNP was roughly \$900 billion in mid-1968 and about \$1,500 billion in mid-1975. This line simplifies the analysis of growth over time in order to compare relative size of GNP in different years. The dotted line shows the same scale, with a

Figure 1-1. Gross National Product of the United States

Note: Current dollars are unadjusted with respect to prices over a period of time. The dollars shown are in terms of the level of prices prevailing for each of the years shown. The effects of price changes are adjusted for by using constant dollars, in this case, 1972 dollars.

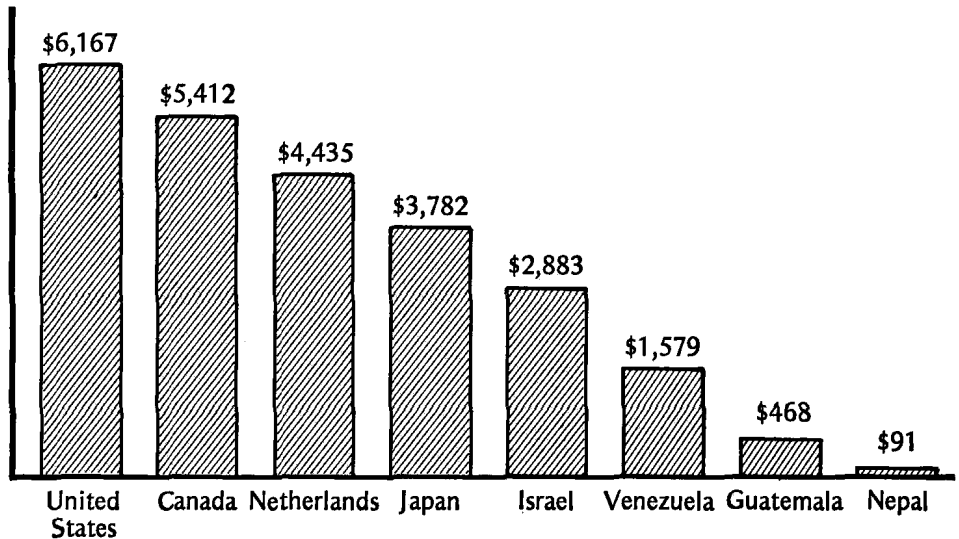
Source: *Economic Indicators*, U.S. Government Printing Office, Washington, D.C., 1976, p. 1.

correction for inflation. This means that changes in GNP between 1968 and 1975 are corrected to adjust to changes in the value of the dollar. What remains is an indication of the change in *real* GNP during this time.

Still another method of making comparisons is shown in Figure 1-2. This is a bar graph. The bar or column for each nation shows the relative size of per capita (per person) GNP in those nations. In this illustration the dollar amounts are indicated above the individual bars. In some bar graphs the absolute dollar amounts are indicated by comparing bar heights to a vertical scale at the left, such as was used in the previous graph.

Figure 2-4 uses a graph with no time dimension. It differs from Figure 1-1 in that respect. It uses vertical and horizontal scales to show how quantity demanded (left graph) and quantity supplied (right graph) change in relationship to price changes (vertical scale). On the left, the line D_0 indicates one set of price-quantity relationships. The other two lines show two other sets of such relationships. If various market conditions change, the demand line (or curve) might shift from D_0 to D_1 or D_2 . The graph on the right is the same except that the quantity supplied is shown on the horizontal axis. The line S_0 shows a set of relationships between prices

Figure 1-2. Per Capita Gross National Product for Selected Countries (in U.S. dollars)



Note: Per Capita GNP is a country's total GNP divided by its population.

Source: Prepared from *Statistical Yearbook*, 1974. Copyright, United Nations (1975). By permission.

Figure 2-4. Shifts in Demand and Supply Curves

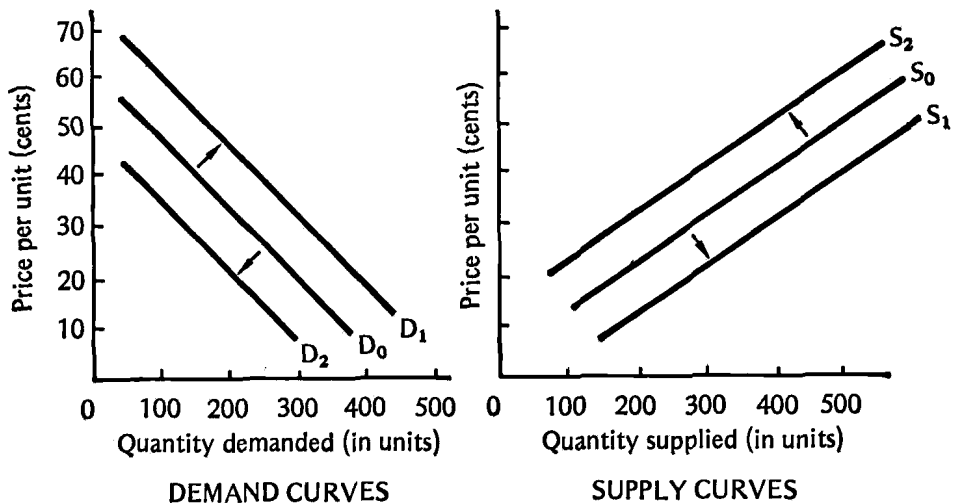
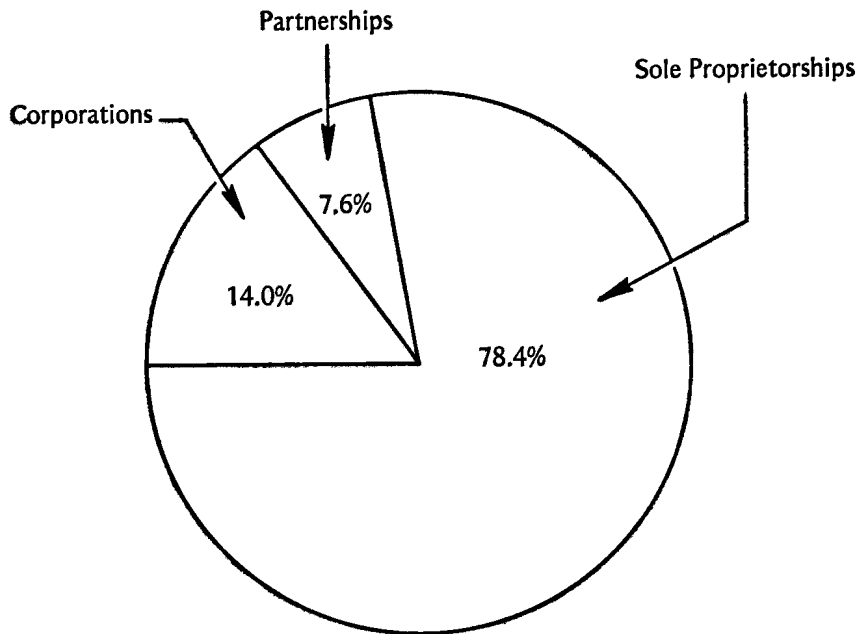


Figure 3-3. American Business Firms by Legal Form of Ownership

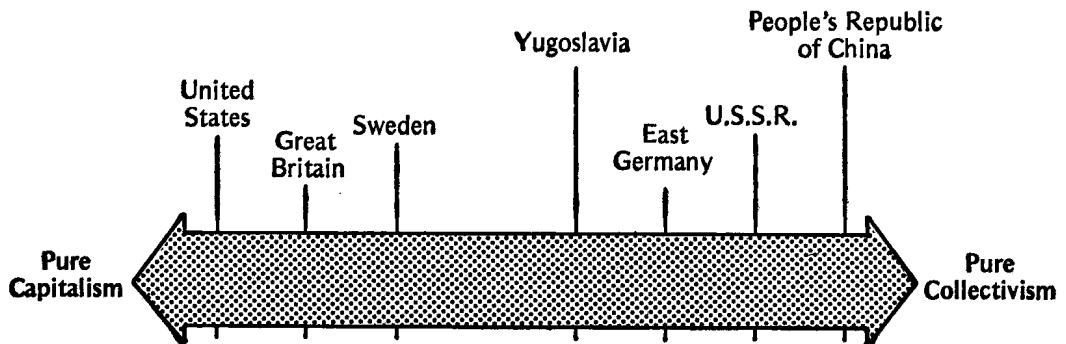


Source: Prepared from U.S. Bureau of the Census, *Statistical Abstract of the United States: 1975* (96th edition). Washington, D.C., 1975, p. 490.

and quantities supplied at those prices. Lines S_1 and S_2 represent different sets of such relationships. In line S_2 higher prices are required to elicit the same amounts to be supplied under conditions found in S_0 or S_1 .

Figure 3-3 is a device known as a “pie chart.” In this case a whole (100 percent) of a quantity is represented by a circle or diagram of a pie. The quantity in

Figure 1-4. Some socioeconomic systems in the world today.



this case is the number of firms in the United States. The “slices of the pie” indicate the percentage of the total that is made up of a particular category. For example, corporations comprise 14 out of every hundred firms, and 78.4 out of one hundred are sole proprietorships.

Figure 1–4 is a simple continuum. It is a line illustrating a wide range of socioeconomic systems between the extremes of pure capitalism and pure collectivism. It suggests the *relative* positions of the systems of seven nations along this continuum between the two socioeconomic extremes.

SOME HINTS FOR STUDYING

Your instructor will give you guidelines regarding how to study for this course. There are, however, several rather general suggestions to consider.

1. Budget your time wisely. Keep your study sessions at a reasonable length and devote your full mental capacity to them. Regular attendance in class and regular preparation for class are essential.
2. Set goals for yourself. Do not begin a course with the attitude that a “C” is the best you can earn. “Psyche yourself up” to do much better than that. Consider all the reasons that exist to make the most of your ability.
3. Start with the right attitude and you will discover that the course covers things that really have meaning to you right now. For example, Chapter 4 will give you a clear understanding of the meaning of an organization, and that is useful to you now because you do belong to organizations—church, social, campus, and so forth. The course also covers things that will become increasingly important to you in the future. For example, you will develop a sharper picture of the nature of careers in business. This will definitely assist you in making career choices.
4. Get into the habit of taking notes while reading and during class meetings. Do not try to write down everything you read or everything your instructor says. Jot down the things that are most important, that is, the key words that will help you to recall what you read or heard. Develop your note-taking skill. Sum up important points in as few words as possible. Use abbreviations, short phrases, and your own version of shorthand. If you get the basic ideas presented in lectures in class, you can expand on the notes out of class. You will be amazed at how much you will be able to recall on the basis of a good lecture outline. By all means, keep your notes organized for study purposes.
5. Always read the assigned material *before* you go to class and, if possible,

TO THE STUDENT

outline that material. This familiarizes you with the material that will be covered and helps you to take better notes in class. Do not fall into the habit of putting off your assigned reading until the day before exams. You lose in at least two ways—you do not get as much out of class lectures and discussion and you always find yourself trying to catch up.

6. Reread the chapter after class to reinforce learning.
7. If you have questions, ask them. Depending on class size and format, questions can be asked during either regular class sessions, discussion sessions, or during your instructor's office hours.
8. Prepare your assignments on time. Late work is usually penalized when graded.
9. A good policy to follow is to assume that a quiz will be given at each class meeting. This tends to encourage you to keep up with your assignments.
10. Informal discussion among students can be a very helpful learning experience. You can share your ideas and opinions with other students outside of class.
11. Keep informed about what is happening in the business world. Business is constantly changing. Your library probably subscribes to *The Wall Street Journal*, *Business Week*, *Fortune*, *The Harvard Business Review*, and other newspapers, magazines, and journals. Set time aside to browse through one or more of these on a regular basis. The topics discussed in your text deal with the business world. You can find articles in journals and newspapers, for example, that deal with what business is doing about social problems. You also can find articles that discuss what particular companies are doing to correct those problems. Of course, there are also many articles that discuss management, production, marketing, finance, accounting, computers, etc. Find examples of what business firms are doing in some of these areas. This can help in stimulating class discussion. By reading current articles, you are putting forth that extra effort that helps you to keep up-to-date on developments in business.
12. Keep an open mind. Be willing to consider and evaluate new ideas. Business is dynamic. A closed mind can be a very costly thing to a student of business.

Contents

<i>To the Student</i>	v
SECTION I INTRODUCTION	1
1 Economic Ideas for Business	3
2 The Business Firm	17
SECTION II BUSINESS BASICS	33
3 Ownership	35
4 Organization	49
5 Management	63
SECTION III BUSINESS DECISIONS	77
6 Producing Goods and Services	79
7 Marketing	89
8 Marketing Decisions	101
9 Accounting	115

CONTENTS

10	Financial Institutions	127
11	Financial Decisions and Insurance	139
12	Personnel	151
13	Labor Relations	163
14	The Computer and Other Tools	177
SECTION IV	SPECIAL TYPES OF BUSINESS	187
15	Small Business	189
16	International Business	203
SECTION V	BUSINESS ENVIRONMENTS AND YOUR CAREER	213
17	Human Values	215
18	The Economy, the Law, and Technology	225
19	Your Career in Tomorrow's Business	237

SECTION

I

Introduction

