

# Exam Example Questions

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This is a test exam with the type of questions that will be on the midterm. The midterm consists of 30 multiple choice questions, 40 true or false questions, and some short answer questions of which you will choose 3 to complete. The multiple choice and T/F questions are worth 1 mark each and the short answer questions are worth 10 marks each (total 100 percent).

## Multiple Choice

42. \_\_\_\_\_ are responsible for conducting employee training programs that help spot potential fraud and abuse within a firm.

a.	Ethics compliance officers
b.	Social behaviourists
c.	Human Resource managers
d.	Department supervisors

ANS: a

43. Which of the following is not an example of unethical or illegal acts in the workplace?

a.	safety violations
b.	Internet abuse
c.	misreporting time on the job
d.	whistle-blowing

ANS: d

13. Citizens in a private enterprise system have the right to choose their employment, purchases, and investments, illustrating their right to \_\_\_\_\_.

a.	profit
b.	credit
c.	freedom of choice
d.	private property

ANS: c

37. Although the average farm size has increased in recent years the majority of farmers operate as \_\_\_\_\_ businesses.
- a. small
  - b. large
  - c. government owned
  - d. partnerships

ANS: B

38. \_\_\_\_\_ of goods-producing businesses are small firms..
- a. Less than 25 percent
  - b. About 25 percent
  - c. About 50 percent
  - d. Over 95 percent

ANS: D

55. All of the following are rights granted to citizens and to the government in a private enterprise system EXCEPT the right to \_\_\_\_\_.

a.	fair competition
b.	permit price discrimination
c.	select from among a variety of goods and services
d.	own property

ANS: b

50. The country Artesia exported products totaling \$86 billion last year. During the year, Artesia imported products valued at \$43 billion. Artesia has a(n) \_\_\_\_\_.

a.	exchange rate of 2 to 1
b.	trade deficit of \$43 billion
c.	trade surplus of \$43 billion
d.	unfavourable balance of payments

ANS: c

51. A trade deficit occurs when \_\_\_\_\_.

a.	imports exceed exports
b.	foreign-aid payments exceed exports
c.	imports are sold at low profits
d.	there is a net flow of money into a country

ANS: a

50. All of the following can shift the demand curve to either the right or left EXCEPT \_\_\_\_\_.

a.	change in the cost of inputs
b.	change in the number of buyers
c.	change in the income of buyers
d.	buyers' attitudes about the future

ANS: a

51. An increase in consumers' incomes causes the \_\_\_\_\_.

a.	supply curve to shift to the right
b.	demand curve to shift to the right

c.	supply curve to shift to the left
d.	demand curve to shift to the left

ANS: b

44. Information technology can help entrepreneurs in all of the following ways EXCEPT:
- project a professional image.
  - provide improved customer service.
  - work quickly and efficiently.
  - ensure financial success.

ANS: d

45. Which of the following demographic/economic trends has increased the opportunities for entrepreneurs?
- aging population
  - increase in wages
  - surplus of college graduates
  - steady interest rates

ANS: a

50. Which of the four functions of management creates a well-designed road map of the actions needed to lead a company forward?
- organizing
  - directing
  - controlling
  - planning

ANS: d

51. Damien is working on a project where he needs to anticipate future events and conditions, as well as avoid costly mistakes. Damien is engaged in the \_\_\_\_\_ managerial function.
- controlling
  - planning
  - organizing
  - directing

ANS: b

### True and False

114. Finding unique ways to use the factors of production is a common characteristic of most entrepreneurs.

ANS: T

115. Entrepreneurs are very conservative and usually invest only in sure winners.

ANS: F

160. A SWOT analysis enables a firm to develop the best strategies for gaining a competitive advantage.

ANS: T

161. "Lack of financial stability" would be identified in a company's SWOT analysis as a threat.

ANS: F

137. Forces of nature, such as a hurricane, can affect the supply curve.

ANS: T

138. A long-term tax on a product is eliminated. The supply curve should shift upward and to the right, and the price of that product will typically rise.

ANS: F

152. Helping employees stop smoking is an example of a social responsibility revolving around public health.

ANS: T

122. An advantage of starting a home-based business is the lower start-up expenses.

ANS: F

123. Most small businesses turn a profit within the first year.

ANS: F

132. Cultural sensitivity is especially essential in cyberspace because visitors to the Web can come from any part of the world.

ANS: T

133. Compared with Canada, Europeans value employee benefits more than low unemployment and business efficiency.

ANS: T

153. Environmental issues have become more important concerns of the public in recent years.

ANS: T

72. Overseas, workers have yet to discover the benefits of entrepreneurship compared to employment by big firms.

ANS: F

73. Social entrepreneurs recognize a societal problem and use business principles to develop innovative solutions.

ANS: T

### Short Answer

13. Define profit. Explain why you agree or disagree with the following statement: “The success of a business is measured only by the profit it earns.”

ANS:

Profit is the financial reward received by successful businesspeople who take the risks involved in blending people, technology, and information to create and market want-satisfying goods and services. In order to be successful in a private enterprise system, a business must earn a satisfactory profit; otherwise, the owners and investors will turn to more attractive opportunities. However, businesses today are expected to do more than earn a satisfactory profit—they also have social and ethical responsibilities. In

other words, businesses must behave responsibly in their dealings with employees, customers, suppliers, the general public, and even with their competitors.

31. Define countertrade, and explain why this form of international trade is a viable option for certain nations.

ANS:

Countertrade is an international bartering system that involves payments made in the form of local products instead of currency. Countertrade may be necessary for certain countries when there is inadequate access to needed foreign currency. For developing countries, countertrade may be the only opportunity to enter a particular market, and countries with heavy debt also resort to countertrade. Other countries, such as Russia, have less acceptable currency in the market and may use countertrade. Finally, countries that restrict imports may need countertrade to win government approval for import-needed products.

19. When does a conflict of interest pose an ethical challenge? How should a conflict of interest be handled?

ANS:

A conflict of interest exists when a person is faced with a situation in which an action benefiting one person or group has the potential to harm another. A conflict of interest can pose an ethical challenge when it involves the person's own interests and someone to whom he or she has a duty. The best way to handle a potential conflict of interest is to avoid it and/or to disclose it.

16. What is economics? Why is understanding economics important in your life?

ANS:

Economics is a social science that analyzes the choices made by individuals and organizations in the allocation of scarce resources. Individuals make economic decisions every day when they decide what to buy, what services to use, and so forth. Businesses also make economic decisions when they choose how to use human and natural resources, invest in machinery and buildings, and form partnerships with other firms. The choices made by individuals and businesses are affected by economic conditions, and, in turn, their decisions affect economic conditions.

22. What services does the Business Development Bank of Canada (BDC) offer to business owners?

ANS:

The Business Development Bank of Canada is a government agency that assists, counsels, and protects the interests of small businesses in Canada. The BDC provides long-term financial assistance, management counseling, training, technical assistance, and education to help small businesses.

15. Describe the differences between entrepreneurs and small-business managers.

ANS:

Entrepreneurs seek a profitable opportunity and take the necessary risks to set up and operate a business. Small-business managers direct the efforts of others to achieve an organization's goals. The skills necessary to launch a business are not the same as those necessary to manage a business on an ongoing basis. Business managers use the organization's resources to accomplish their work. Entrepreneurs pursue their own goals and take the initiative to find and organize the resources they need to start their ventures.

24. Explain the role of vision and ethical standards in business success.

ANS:

Vision is the ability to perceive the needs of the marketplace and develop methods for satisfying those needs. Vision helps new businesses pinpoint the actions needed to take advantage of opportunities. In an existing firm, a clear vision of company purpose helps unify the actions of separated divisions, keeps customers satisfied, and sustains growth. Setting high ethical standards helps a firm survive and be successful over the long term. Behaving ethically places an organization's constituents—those to whom it is responsible—at the top of its priorities. It also goes beyond avoiding wrongdoing to encouraging, motivating, and inspiring employees.