**Business Management Fall Semester Review**

**Chapter 1:**

1. What three activities do all businesses perform?

**Marketing, production and finance**

1. Name three techniques that American businesses can use to improve efficiency and productivity.

**Specialization of effort**

**Better technology and innovation**

**Re-organization**

1. Why is the gross domestic product (GDP) important?

**It measures economic growth and success**

1. What are the dangers to consider when seeking a franchise?

**Fraudulent dealers**

**Chapter 2:**

1. How do ethics differ from laws?

**Ethics – principles of right and wrong**

**Laws – rules set by our government for legality requirements**

1. Give two reasons why businesses should not get involved in socially responsible projects.

**Can be expensive**

**It’s not profitable**

1. Give two reasons why business should be socially responsible.

**It reduces government desire to regulate business**

**Favorable publicity**

**Chapter 3:**

1. List the four most common types of utility and the four basic factors of production.

**Utility: form, place, time and possession**

**Production: land, labor, capital goods and entrepreneurship**

1. What is the difference between capital goods and consumer goods?

**Capital goods – ex. buildings, tools, machines (used to make stuff)**

**Consumer goods – goods that satisfy consumers wants (food, cars, clothing, etc.)**

1. How is market economy different from command economy?

**Market Economy – an economic system in which individual buying decisions in the marketplace together determine what, how, and for whom goods and services will be produced**

**Command Economy – an economic system in which a central planning authority, under the control of the country’s government, owns most of the factors of production and determines what, how, and for whom goods and services will be produced.**

1. Other than increasing the production of goods and services, what other element is required for economic growth?

**More goods and services must also be consumed.**

**Chapter 4:**

1. Why are non-tariff barriers harder to remove that tariffs and quotas?

**Because they are often part of a country’s culture and tradition.**

1. Explain the purpose of the WTO, IMF, and the World Bank.

**WTO – creates and enforces the rules governing trade among countries**

**IMF – to help countries that are facing serious financial difficulties in paying for their imports or repaying loans**

**World Bank – provides low-cost, long-term loans to less-developed countries to develop basic industries and facilities, such as roads and electric power plants.**

1. Explain how comparative advantage encourages international trade.

**When countries are specialized in a certain product, it makes other countries want to buy it.**

1. What qualities do managers need to work in a foreign country?

**Skilled, mature and experienced**

**Chapter 5:**

1. What are two common legal forms of business ownership?

**Partnership and Proprietorship**

1. How will a good business plan help someone successfully open a new business?

**It helps to see the risks and responsibilities**

1. List the major advantages of proprietorships.

**Owner is boss, fairly easy to start a small business, Owner claims profits, Makes decisions**

1. List the major disadvantages of proprietorships.

**Can be costly, only boss (no help), incurs losses**

1. List the major advantages of partnerships.

**Less taxes, help from partner, more skills brought in, more capital**

1. List the major disadvantages of partnerships.

**Division of profits, Partners can’t get along, unlimited financial liability**

**Chapter 6:**

1. What steps must be taken to form a corporation?

**Certificate of Incorporation**

**Naming the business**

**Stating the Purpose of the Business**

**Investing in the Business**

**Paying Incorporation Costs**

1. How does a close corporation differ from an open corporation?

**Close – does not offer its shares of stock for public sale**

**Open – offers its shares of stock for public sale**

1. Give four advantages of corporation.

**Available sources of capital**

**Limited liability of stockholders**

**Permanency of existence**

**Ease in transferring ownership**

1. Give three disadvantages of corporations.

**Taxation**

**Government regulations and reports**

**Stockholders’ records**

**Charter restrictions**

1. Why would a business want to form a joint venture?

**To gain expertise and skills from other businesses**

1. What is the purpose of cooperatives?

**To provide their members with cost and profit advantages that they do not otherwise have.**

**Chapter 7:**

1. How is it possible for a business to continue operating even though it has filed for bankruptcy?

**A judge will allow a business to remain open if a survival plan can be developed that might enable the firm to recover.**

1. Name five federal agencies that regulate business activities.

**Federal Trade Commission**

**Food and Drug Administration**

**Securities and Exchange Commission**

**Federal Aviation Administration**

**Federal Communications Commission**

**Nuclear Regulatory Commission**

1. How are patents and trademarks alike?

**They are both regulated by the Patent and Trademark Office.**

1. How is product liability like information liability?

**Both allow the responsible party to be sued in case a consumer/customer is injured in any form.**

1. Give two reasons why governments impose taxes.

**To raise revenue to fund new and ongoing programs.**

**Also, to use the taxes to regulate business activity**

1. What are the three most common types of business taxes?

**Income Tax**

**Sales Tax**

**Property Tax**