

CHAPTER 1—BUSINESS ENVIRONMENT

TRUE/FALSE

1. The state can produce products.
ANS: T PTS: 1 TOP: What is Business?
2. Most economies have two sectors, a private sector and a public sector.
ANS: T PTS: 1 TOP: Private Sector and Public Sector Activity
3. The public sector is where business activity is undertaken by organizations which are owned, controlled and financed by private individuals (either individually or as part of groups or other businesses).
ANS: F PTS: 1 TOP: Private Sector and Public Sector Activity
4. In the US, the state is responsible for a greater proportion of GDP than in the UK.
ANS: F PTS: 1 TOP: Private Sector and Public Sector Activity
5. Businesses have to operate both in an **internal environment** and an external one. These two environments are mutually exclusive.
ANS: F PTS: 1 TOP: Internal and External Business Environments
6. In some cases it is not possible to provide for needs and wants through private business operations and so the state has to step in to provide for those needs.
ANS: T PTS: 1 TOP: What is Business?
7. Robbins accepts economics is merely a study of material welfare.
ANS: F PTS: 1 TOP: The Economic Problem
8. The fundamental problem of economics alluded to by Robbins is the tension between Government on the one hand and Business on the other.
ANS: F PTS: 1 TOP: The Economic Problem
9. Resources have alternative uses.
ANS: T PTS: 1 TOP: The Economic Problem
10. In developed economies production is focussed on the provision of the basics for life
ANS: F PTS: 1 TOP: The Economic Problem
11. The term organization can easily be used to description firms. The terms are interchangeable.
ANS: F PTS: 1 TOP: Organizations

12. Organizations can be categorized in in different ways.
ANS: T PTS: 1 TOP: Organizations
13. All organizations are out to make profits.
ANS: F PTS: 1 TOP: Organizations
14. There are a variety of stakeholders who have an interest in the organization and how it operates.
ANS: T PTS: 1 TOP: Organizations
15. The transformation process describes the way business organizations use various resources to produce products that satisfy a need.
ANS: T PTS: 1 TOP: The Transformation Process
16. Adding value means that the final cost is equal to the cost of the inputs used in the transformation process.
ANS: F PTS: 1 TOP: The Transformation Process
17. Social enterprises don't need to worry about profit as part of added value.
ANS: F PTS: 1 TOP: The Transformation Process
18. The transformation process is influenced by both internal and external factors and so production processes undergo change.
ANS: T PTS: 1 TOP: The Transformation Process
19. Other businesses are affected by the decisions of a business and these in turn make their own internal and external decisions based on other business behaviour.
ANS: T PTS: 1 TOP: Internal and External Business Environments
20. The macro environment is often referred to as the immediate or operational environment and includes various stakeholders such as customers and suppliers.
ANS: F PTS: 1 TOP: Internal and External Business Environments
21. Internal stakeholders include a business organization's customers and suppliers.
ANS: F PTS: 1 TOP: Why Study the Business Environment?
22. The changing business environment can help explain both business failure and business success.
ANS: T PTS: 1 TOP: Why Study the Business Environment?
23. It is a waste of time for business organizations to get involved in futures thinking simply because the future is so unpredictable.
ANS: F PTS: 1 TOP: Why Study the Business Environment?

24. The environments of some industries change more than others.

ANS: T PTS: 1 TOP: Why Study the Business Environment?

25. Environmental determinism is a contingency perspective which claims that internal organizational responses are wholly or mainly shaped, influenced or determined by external environmental factors.

ANS: T PTS: 1 TOP: Why Study the Business Environment?

MULTIPLE CHOICE

1. Which of the following is least likely to be classified as public goods?

- a. Street lighting
- b. Lighthouses
- c. Public fireworks
- d. Defence
- e. Education

ANS: E PTS: 1 TOP: Private Sector and Public Sector Activity

2. The classic definition of economics "the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" was given by whom?

- a. Robbins
- b. Kelly
- c. Cole
- d. Ashwin
- e. Porter

ANS: A PTS: 1 TOP: The Economic Problem

3. Which of the following is least likely to be regarded as one of the three questions every economy has to answer?

- a. What is to be produced
- b. Why must a particular product be produced
- c. Who will get what is produced
- d. How are the products to be produced

ANS: B PTS: 1
TOP: The Three Questions Every Economy has to Answer

4. Which of the following would least likely be considered to be a component of a business organization?

- a. Processes
- b. Styles
- c. Customers
- d. Relationships
- e. Systems

ANS: C PTS: 1 TOP: Organizations

5. Who presented a typology describing four kinds of organizational environment from placid (static) at one extreme to dynamic and turbulent at the other?
- Emery and Trist
 - Cole and Kelly
 - Davies and Ellison
 - Knights and Wilmott
 - Kelly and Ashwin

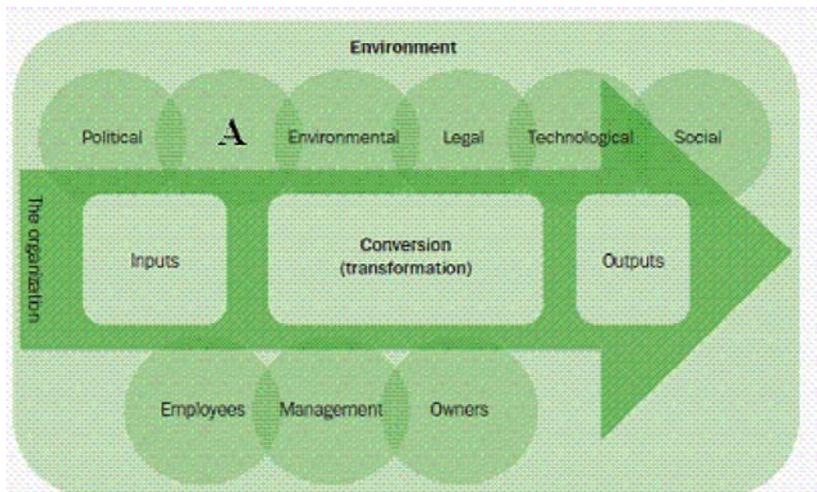
ANS: A PTS: 1 TOP: Contingency Approaches to Management

6. Which of the following is least likely to be regarded as a *contingency perspective*?
- Strategic 'fit'
 - The situational approach
 - Environmental dynamism
 - Environmental determinism
 - Strategic alignment

ANS: C PTS: 1 TOP: Contingency Approaches to Management

7. Select the item that is defined as follows:
Scarcity, requiring the allocation of resources between competing wants or needs; the need to minimize resource use and the need to ensure equitable distribution.
- Opportunities
 - Economic problem
 - Private sector
 - The transformation process
 - Business

ANS: B PTS: 1 TOP: Glossary



8. Consider the Transformation Process with Internal and External Factors shown above. Identify the most appropriate term for the circle labelled "A" in the diagram.
- Ecological
 - Economic
 - Globalization
 - Industry
 - Government

ANS: B PTS: 1 TOP: Internal and External Business Environments

9. Select the option least likely to be classified as one of an organization's internal stakeholders.
- Management
 - Employees
 - Shareholders
 - Customers
 - Owners

ANS: D PTS: 1 TOP: Why Study the Business Environment?

10. Select the option least likely to be classified as one of an organization's external stakeholders.
- Suppliers
 - Local community
 - Government
 - Environment
 - Owners

ANS: E PTS: 1 TOP: Why Study the Business Environment?

11. Consider market analysis and the role of market analysts, then select the item which is least true.
- Market analysts invariably look ahead rather than dwell on the present or the past*
 - The skill in assessing the possibilities and potential of the future is not about judgement*
 - Organizations will not only search for opportunity but will also seek to identify threats*
 - Past performance is no indicator or guarantee of future performance*

ANS: B PTS: 1 TOP: Why Study the Business Environment?

12. The fundamental problem of economics considers the availability of resources to satisfy needs. These resources are generally classified under three headings. Select the option that is not normally considered one of the three resource types.
- Labour
 - Capital
 - Equipment
 - Land

ANS: C PTS: 1 TOP: The Economic Problem

13. Choose the most appropriate description (definition) of the **transformation** process
- The process of taking factor inputs and transforming them into outputs for consumption by other organizations and individuals
 - The process of distributing outputs for consumption by other organizations and individuals
 - The process of selling outputs for consumption by other organizations and individuals
 - The process of taking factor inputs and distributing them for consumption by other organizations and individuals

ANS: A PTS: 1 TOP: Glossary

14. Chose the item most likely to be presented as an argument from Nadler.
- The provision of public goods is made by the state on behalf of everyone
 - The distinction between public and private sector organizations is becoming increasingly blurred
 - Who gets what is produced is determined by the amount of money that individuals have to be able to exchange for products.
 - Incongruent organizations are ineffective organizations
 - Even billionaires have wants and needs and can find some way to spend their money

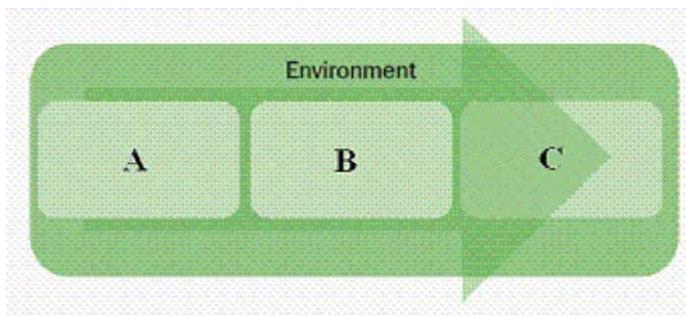
ANS: D PTS: 1 TOP: Contingency Approaches to Management

15. Select the least true statement.
- The transformation process is affected by many influences that exist both internal and external
 - The contingency approach to management (also called the situational approach) assumes there is a universal answer to many organizational problems
 - Incongruent organizations are ineffective organizations
 - The aims and objectives of businesses in both sectors (public and private) differ but in essence they are all doing the same thing – taking in inputs and doing some sort of processing of these inputs to varying degrees to produce outputs.

ANS: B PTS: 1 TOP: Contingency Approaches to Management

16. In the UK the state is responsible for approximately X% of GDP - what is the (approximate) amount?
- <20
 - 40
 - >50
 - 30

ANS: B PTS: 1 TOP: Private Sector and Public Sector Activity



17. Identify the correct term for the box labelled “A” above.
- Inputs
 - Machinery
 - Transformation/ Conversion
 - Outputs
 - Strategy
 - PESTLE

ANS: A PTS: 1 TOP: The Transformation Process

18. Identify the correct term for the box labelled “C” above
- Inputs
 - Machinery
 - Transformation/ Conversion
 - Outputs
 - Strategy
 - PESTLE

ANS: D PTS: 1 TOP: The Transformation Process

19. Which of the following items would be least likely classified as an aspect of the micro environment?
- Customers
 - Suppliers
 - Competitors
 - Financial institutions
 - Local communities
 - National government

ANS: F PTS: 1 TOP: Internal and External Business Environments

20. Which of the following is not an example of a business organization?
- A profit making firm
 - A loss making firm
 - A charity
 - A police force
 - An army
 - All of the above are

ANS: F PTS: 1 TOP: What is Business?

21. Which of the following organization is /are privately owned?
- State schools
 - The police
 - The army
 - A coffee chain like Starbucks

ANS: D PTS: 1 TOP: What is Business?

22. Which output best describes a B2C?
- A grower selling coffee beans to a roaster
 - A chemical business selling fertilizer to a grower
 - A coffee house selling a cup of coffee to a consumer
 - An engineering company selling a roasting equipment to a coffee manufacturer
 - A company selling tables and chairs to a coffee house

ANS: C PTS: 1 TOP: What is Business?

23. Which of the following is not generally regarded as production focussed on the basics of life?
- Food
 - Entertainment
 - Clothing
 - Shelter

ANS: B PTS: 1 TOP: The Economic Problem

24. Which is not a common feature for most business organizations?
- Individuals within organizations have common/shared goals
 - Organizations have decision-making structures
 - Organizations tend to hold their own values
 - There are a variety of stakeholders who have an interest in the organization and how it operates
 - Organizations have a structure in which individuals have different roles and functions – often shared between a group of individuals
 - All organizations are out to make a profit for their owners

ANS: F PTS: 1 TOP: Organizations

25. Which is internal to a business organization?
- a. Pressure groups
 - b. Suppliers
 - c. Employees
 - d. Competitors
 - e. Government
 - f. Consumers

ANS: C
Environment

PTS: 1

TOP: The Internal and External Business