Better Business (Canadian) 2nd edition Solomon Test Bank

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1) Which of the following refers to an interconnected system of different demographic factors?
a. a technological environment
Incorrect: *A sociocultural environment is an interconnected system of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
b. an economic environment
Incorrect: *A sociocultural environment is an interconnected system of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
c. a political-legal environment
Incorrect: *A sociocultural environment is an interconnected system of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
d. a sociocultural environment
Correct: *A sociocultural environment is an interconnected system of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*

Answer: d
Diff: 1
Type: MC
Page Reference: 25
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

2) Which of the following would MOST likely change income distribution demographics?
a. a political scandal
Incorrect: *An economic slump would most likely change income distribution demographics.*
b. an aging population
Incorrect: *An economic slump would most likely change income distribution demographics.*
c. an economic slump
Correct: *An economic slump would most likely change income distribution demographics.*
d. a social movement
Incorrect: *An economic slump would most likely change income distribution demographics.*

Answer: c
Diff: 3
Type: MC
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

3) Which of the following demographic factors is MOST affected by an influx of immigrants?
a. race

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Correct: *An influx of immigrants can change racial demographics.*
b. income distribution
Incorrect: *An influx of immigrants can change racial demographics.*
c. political orientation
Incorrect: *An influx of immigrants can change racial demographics.*
d. gender
Incorrect: *An influx of immigrants can change racial demographics.*

Answer: a
Diff: 2
Type: MC
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

4) _____ refers to the generation born between 1943 and 1960, representing the majority of the aging Canadian population.
a. Baby boomers
Correct: *Canadians are living longer, healthier lives; they are also better educated, wealthier, and have achieved a higher standard of living than previous generations. Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population.*
b. Immigrants
Incorrect: *Canadians are living longer, healthier lives; they are also better educated, wealthier, and have achieved a higher standard of living than previous generations. Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population.*
c. Gen-Xers
Incorrect: *Canadians are living longer, healthier lives; they are also better educated, wealthier, and have achieved a higher standard of living than previous generations. Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population.*
d. Young adults
Incorrect: *Canadians are living longer, healthier lives; they are also better educated, wealthier, and have achieved a higher standard of living than previous generations. Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population.*

Answer: a
Diff: 1
Type: MC
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

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5) Identify one of the potential problems posed by an aging population.
a. lower federal budget deficit
Incorrect: *An aging population presents challenges for the Canadian economy. As the ratio of the non-working population to the working population increases, problems could occur, such as increased health care needs, higher taxes, and a reduction in government spending on pensions and health care.*
b. lower taxes
Incorrect: *An aging population presents challenges for the Canadian economy. As the ratio of the non-working population to the working population increases, problems could occur, such as increased health care needs, higher taxes, and a reduction in government spending on pensions and health care.*
c. job shortages
Incorrect: *An aging population presents challenges for the Canadian economy. As the ratio of the non-working population*
to the working population increases, problems could occur, such as increased health care needs, higher taxes, and a reduction in government spending on pensions and health care.
d. increased health care needs
Correct: *An aging population presents challenges for the Canadian economy. As the ratio of the non-working population to the working population increases, problems could occur, such as increased health care needs, higher taxes, and a reduction in government spending on pensions and health care.*

Answer: d
Diff: 2
Type: MC
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

6) Which of the following is part of a diversity initiative?
a. education on a variety of cultures
Correct: *Companies must develop a diversity initiative, which outlines their goals and objectives for managing, retaining, and promoting a diverse workforce. A diversity initiative might include a non-discrimination policy, minority network, or diversity education.*
b. ethics training
Incorrect: *Companies must develop a diversity initiative, which outlines their goals and objectives for managing, retaining, and promoting a diverse workforce. A diversity initiative might include a non-discrimination policy, minority network, or diversity education.*
c. majority network
Incorrect: *Companies must develop a diversity initiative, which outlines their goals and objectives for managing, retaining, and promoting a diverse workforce. A diversity initiative might include a non-discrimination policy, minority network, or diversity education.*
d. discrimination policy
Incorrect: *Companies must develop a diversity initiative, which outlines their goals and objectives for managing, retaining, and promoting a diverse workforce. A diversity initiative might include a non-discrimination policy, minority network, or diversity education.*

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Answer: a
Diff: 1
Type: MC
Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

7) The term _____ applies to a person's ethnic, cultural, gender, and sexual orientation.
a. minority
Correct: *The term minority applies to more than just people of different ethnicities. Some minority groups represent a person's gender, culture, religion, sexual orientation, or disability.*
b. majority
Incorrect: *The term minority applies to more than just people of different ethnicities. Some minority groups represent a person's gender, culture, religion, sexual orientation, or disability.*
c. specialty
Incorrect: *The term minority applies to more than just people of different ethnicities. Some minority groups represent a person's gender, culture, religion, sexual orientation, or disability.*
d. personality
Incorrect: *The term minority applies to more than just people of different ethnicities. Some minority groups represent a person's gender, culture, religion, sexual orientation, or disability.*
Answer: a
Diff: 1
Type: MC
Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

8) Madison wants his new T-shirt store to be environmentally friendly. With the concept of the green economy in mind, which of the following business initiatives should he undertake to make his business greener?
a. mail out thousands of paper fliers advertising his green business
Incorrect: *Powering his store with solar energy cuts down on Madison's contribution to carbon emissions. He should avoid sending out paper fliers, because this will use up trees and can contribute to litter or add to landfills if not recycled property. The other choices may be worth considering, but they are not green initiatives.*
b. raise prices on his T-shirts to include the cost of a donation to charity
Incorrect: *Powering his store with solar energy cuts down on Madison's contribution to carbon emissions. He should avoid sending out paper fliers, because this will use up trees and can contribute to litter or add to landfills if not recycled property. The other choices may be worth considering, but they are not green initiatives.*
c. sell environmentally themed T-shirts
Incorrect: *Powering his store with solar energy cuts down on Madison's contribution to carbon emissions. He should avoid sending out paper fliers, because this will use up trees and can contribute to litter or add to landfills if not recycled property. The other choices may be worth considering, but they are not green initiatives.*

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d. install solar panels on the roof of his store to provide electricity
Correct: *Powering his store with solar energy cuts down on Madison's contribution to carbon emissions. He should avoid sending out paper fliers, because this will use up trees and can contribute to litter or add to landfills if not recycled property. The other choices may be worth considering, but they are not green initiatives.*

Answer: d
Diff: 3
Type: MC
Page Reference: 27-28
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

9) Kelly runs a successful shoe company and is ready to open her first store overseas in France. Which of the following is LEAST likely to be a problem for her as her company becomes multinational?
a. inflation affecting international revenues
Incorrect: *There are numerous legal, cultural, and economic issues that can make international commerce problematic. Successful multinational businesses adapt to the countries they operate in, so it is more likely that Kelly's French customers will be pleased by attempts to follow local customs.*
b. offending French customers by adopting local customs
Correct: *There are numerous legal, cultural, and economic issues that can make international commerce problematic. Successful multinational businesses adapt to the countries they operate in, so it is more likely that Kelly's French customers will be pleased by attempts to follow local customs.*
c. communicating with French employees
Incorrect: *There are numerous legal, cultural, and economic issues that can make international commerce problematic. Successful multinational businesses adapt to the countries they operate in, so it is more likely that Kelly's French customers will be pleased by attempts to follow local customs.*
d. violating local French safety regulations
Incorrect: *There are numerous legal, cultural, and economic issues that can make international commerce problematic. Successful multinational businesses adapt to the countries they operate in, so it is more likely that Kelly's French customers will be pleased by attempts to follow local customs.*

Answer: b
Diff: 3
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

10) Which of the following BEST describes a global economy?
a. divergence

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Incorrect: *Changes in local, national, or global economies can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
b. interdependence
Correct: *Changes in local, national, or global economies can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
c. polarization
Incorrect: *Changes in local, national, or global economies can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
d. regionalism
Incorrect: *Changes in local, national, or global economies can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*

Answer: b
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

11) Which of the following plays the MOST important role in allowing all companies, no matter the size, to compete in the global market?
a. effective marketing
Incorrect: *Technologies like the Internet make it possible for even the smallest company to do business almost anywhere in the world. While effective marketing, a talented workforce, and government subsidies can certainly help a company to compete globally, none of these factors can match the ability of technology to facilitate global commerce.*
b. a talented workforce
Incorrect: *Technologies like the Internet make it possible for even the smallest company to do business almost anywhere in the world. While effective marketing, a talented workforce, and government subsidies can certainly help a company to compete globally, none of these factors can match the ability of technology to facilitate global commerce.*
c. government subsidies
Incorrect: *Technologies like the Internet make it possible for even the smallest company to do business almost anywhere in the world. While effective marketing, a talented workforce, and government subsidies can certainly help a company to compete globally, none of these factors can match the ability of technology to facilitate global commerce.*
d. technological advances
Correct: *Technologies like the Internet make it possible for even the smallest company to do business almost anywhere in the world. While effective marketing, a talented workforce, and government subsidies can certainly help a company to compete globally, none of these factors can match the ability of technology to facilitate global commerce.*

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Answer: d
Diff: 2
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

12) Identify one of the following factors that BEST describes why many multinational companies seek technology services and manufactured products in countries like India.
a. They manufacture higher-quality products.
Incorrect: *Developing countries like India tend to have less expensive labour than a country like Canada, allowing products to be produced more cheaply. While any of the other factors may be true of developing countries, lower productions costs are the main reason that multinational companies ship work overseas.*
b. They are environmentally conscious.
Incorrect: *Developing countries like India tend to have less expensive labour than a country like Canada, allowing products to be produced more cheaply. While any of the other factors may be true of developing countries, lower productions costs are the main reason that multinational companies ship work overseas.*
c. They produce goods more cheaply.
Correct: *Developing countries like India tend to have less expensive labour than a country like Canada, allowing products to be produced more cheaply. While any of the other factors may be true of developing countries, lower productions costs are the main reason that multinational companies ship work overseas.*
d. They are closer to the targeted consumer.
Incorrect: *Developing countries like India tend to have less expensive labour than a country like Canada, allowing products to be produced more cheaply. While any of the other factors may be true of developing countries, lower productions costs are the main reason that multinational companies ship work overseas.*

Answer: c
Diff: 2
Type: MC
Page Reference: 24-25
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

13) Danielle recently lost her job at a customer service call centre because her job was outsourced to India. Which of the following is the BEST course of action for Danielle to recover from this setback?
a. find a job at another call centre
Incorrect: *While finding a new call centre job may be a short-term solution, there is no guarantee that this job will not also be outsourced. Instead, Danielle is better off learning new skills that will allow her to compete in the global economy and give her job security.*
b. boycott the company that shipped her job overseas

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Incorrect: *While finding a new call centre job may be a short-term solution, there is no guarantee that this job will not also be outsourced. Instead, Danielle is better off learning new skills that will allow her to compete in the global economy and give her job security.*
c. focus on learning new skills that will allow her to compete in the job market
Correct: *While finding a new call centre job may be a short-term solution, there is no guarantee that this job will not also be outsourced. Instead, Danielle is better off learning new skills that will allow her to compete in the global economy and give her job security.*
d. write a blog calling for government policies that prevent jobs being outsourced
Incorrect: *While finding a new call centre job may be a short-term solution, there is no guarantee that this job will not also be outsourced. Instead, Danielle is better off learning new skills that will allow her to compete in the global economy and give her job security.*

Answer: c
Diff: 3
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

14) Oliver is debating whether to upgrade the point-of-sale systems in his stores, but he is not sure he wants to pay the expense. Information technology is often the single largest expense in many companies because _____.
a. employees who work in information technology fields demand extremely high salaries
Incorrect: *Information technology is characterized by rapid innovation. Most computer systems are rendered obsolete within five years, so keeping up with new technological advances can be one of a company's biggest expenses.*
b. computers and software become outdated quickly and it is costly to purchase new equipment
Correct: *Information technology is characterized by rapid innovation. Most computer systems are rendered obsolete within five years, so keeping up with new technological advances can be one of a company's biggest expenses.*
c. the declining value of the Canadian dollar makes it difficult for companies to pay offshore technology workers
Incorrect: *Information technology is characterized by rapid innovation. Most computer systems are rendered obsolete within five years, so keeping up with new technological advances can be one of a company's biggest expenses.*
d. most IT workplaces are unionized
Incorrect: *Information technology is characterized by rapid innovation. Most computer systems are rendered obsolete within five years, so keeping up with new technological advances can be one of a company's biggest expenses.*

Answer: b
Diff: 3
Type: MC
Page Reference: 28
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

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15) Maria wants to start a new software company, but she lives in a remote community where few skilled software programmers live. Which of the following is the MOST cost-effective strategy for building her workforce?
a. relocate to a city where there are many software programmers
Incorrect: *Telecommuting is Maria's best strategy for building a cost-effective workforce, as she will not have to maintain a large office to house employees and equipment, and she will have the best chance of finding the kind of skills she needs. The other strategies all involve a great deal of expense and may not result in the employees she needs to succeed.*
b. offer a generous salary and benefits package to attract employees to her location
Incorrect: *Telecommuting is Maria's best strategy for building a cost-effective workforce, as she will not have to maintain a large office to house employees and equipment, and she will have the best chance of finding the kind of skills she needs. The other strategies all involve a great deal of expense and may not result in the employees she needs to succeed.*
c. use the Internet and other technologies to hire remote employees who want to telecommute
Correct: *Telecommuting is Maria's best strategy for building a cost-effective workforce, as she will not have to maintain a large office to house employees and equipment, and she will have the best chance of finding the kind of skills she needs. The other strategies all involve a great deal of expense and may not result in the employees she needs to succeed.*
d. hire employees with no programming experience and invest in their training
Incorrect: *Telecommuting is Maria's best strategy for building a cost-effective workforce, as she will not have to maintain a large office to house employees and equipment, and she will have the best chance of finding the kind of skills she needs. The other strategies all involve a great deal of expense and may not result in the employees she needs to succeed.*

Answer: c
Diff: 3
Type: MC
Page Reference: 28-29
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

16) Which one of the following is an advantage of telecommuting?
a. a lower number of employees
Incorrect: *Telecommuting allows employees to work from home, reducing their transportation costs and enabling companies to maintain smaller, more efficient office spaces. It allows companies to hire more employees and employees that would not normally be viable because of distance. However, telecommuting does prevent close managerial supervision.*
b. reduced transportation costs
Correct: *Telecommuting allows employees to work from home, reducing their transportation costs and enabling companies to maintain smaller, more efficient office spaces. It allows companies to hire more employees and employees that would not normally be viable because of distance. However, telecommuting does prevent close managerial supervision.*
c. closer managerial supervision
Incorrect: *Telecommuting allows employees to work from home, reducing their transportation costs and enabling companies to maintain smaller, more efficient office spaces. It allows*

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companies to hire more employees and employees that would not normally be viable because of distance. However, telecommuting does prevent close managerial supervision.
d. a bigger and more expensive office
Incorrect: *Telecommuting allows employees to work from home, reducing their transportation costs and enabling companies to maintain smaller, more efficient office spaces. It allows companies to hire more employees and employees that would not normally be viable because of distance. However, telecommuting does prevent close managerial supervision.*

Answer: b
Diff: 2
Type: MC
Page Reference: 28-29
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

17) The changing value of the Canadian dollar is considered a factor of the _____ environment.
a. global
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns.*
b. regional
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns.*
c. democratic
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns.*
d. economic
Correct: *The economic environment consists of factors that affect consumer purchasing power and spending patterns.*

Answer: d
Diff: 2
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

18) The economy is said to be "booming" when _____.
a. sales are low and unemployment is high and consumer spending is rising
Incorrect: *When there is a period of high sales, high employment, and high productivity (business, and therefore the economy, are said to be "booming"), most people have jobs and make a good income, thus consumer spending rises.*
b. sales are high, employment is high, incomes are high, and consumer spending is rising
Correct: *When there is a period of high sales, high employment, and high productivity (business, and therefore the economy, are said to be "booming"), most people have jobs and make a good income, thus consumer spending rises.*
c. incomes are declining, unemployment is declining, and prices are declining

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Incorrect: *When there is a period of high sales, high employment, and high productivity (business, and therefore the economy, are said to be "booming"), most people have jobs and make a good income, thus consumer spending rises.*
d. stock markets are sluggish, but prices are falling
Incorrect: *When there is a period of high sales, high employment, and high productivity (business, and therefore the economy, are said to be "booming"), most people have jobs and make a good income, thus consumer spending rises.*

Answer: b
Diff: 3
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

19) Which of the following is considered a part of the competitive environment of an organization?
a. suppliers
Correct: *The competitive environment includes groups and organizations that have a direct relationship with the business.*
b. government
Incorrect: *The competitive environment includes groups and organizations that have a direct relationship with the business.*
c. foreign ministers
Incorrect: *The competitive environment includes groups and organizations that have a direct relationship with the business.*
d. the justice system
Incorrect: *The competitive environment includes groups and organizations that have a direct relationship with the business.*

Answer: a
Diff: 1
Type: MC
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

20) The business environment that refers to what occurs outside the organization is described as _____.
a. the internal environment
Incorrect: *The external environment (what occurs outside the organization) is referred to as the macro environment.*
b. the limited environment
Incorrect: *The external environment (what occurs outside the organization) is referred to as the macro environment.*
c. the macro environment

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Correct: *The external environment (what occurs outside the organization) is referred to as the macro environment.*
d. the corporate environment
Incorrect: *The external environment (what occurs outside the organization) is referred to as the macro environment.*
Answer: c
Diff: 1
Type: MC
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

21) Identify one of the two main business environments in which organizations operate.
a. partnership environment
Incorrect: *Organizations operate within two main business environments that affect their potential for success. The two main environments are the competitive environment and the macro environment.*
b. limited environment
Incorrect: *Organizations operate within two main business environments that affect their potential for success. The two main environments are the competitive environment and the macro environment.*
c. competitive environment
Correct: *Organizations operate within two main business environments that affect their potential for success. The two main environments are the competitive environment and the macro environment.*
d. business environment
Incorrect: *Organizations operate within two main business environments that affect their potential for success. The two main environments are the competitive environment and the macro environment.*

Answer: c
Diff: 1
Type: MC
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

22) Which environment might be defined as including groups and organizations that have a direct relationship with the business?
a. competitive environment
Correct: *The competitive environment may be defined as including groups and organizations that have a direct relationship with the business.*
b. micro environment
Incorrect: *The competitive environment may be defined as including groups and organizations that have a direct relationship with the business.*
c. management environment

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Incorrect: *The competitive environment may be defined as including groups and organizations that have a direct relationship with the business.*
d. macro environment
Incorrect: *The competitive environment may be defined as including groups and organizations that have a direct relationship with the business.*

Answer: a
Diff: 1
Type: MC
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

23) _____ is the external environment over which the organization can exert little influence.
a. The macro environment
Correct: *The macro environment is the external environment over which the organization can exert little influence.*
b. The micro environment
Incorrect: *The macro environment is the external environment over which the organization can exert little influence.*
c. The management environment
Incorrect: *The macro environment is the external environment over which the organization can exert little influence.*
d. The material environment
Incorrect: *The macro environment is the external environment over which the organization can exert little influence.*

Answer: a
Diff: 1
Type: MC
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

24) Identify the model that is used to analyze the competitive environment for a strategic business unit.
a. Porter's model
Correct: *Porter's Five Forces analysis model is used to analyze the competitive for a strategic business unit.*
b. SWOT model
Incorrect: *Porter's Five Forces analysis model is used to analyze the competitive for a strategic business unit.*
c. PEST model
Incorrect: *Porter's Five Forces analysis model is used to analyze the competitive for a strategic business unit.*

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d. SLEPT model
Incorrect: *Porter's Five Forces analysis model is used to analyze the competitive for a strategic business unit.*

Answer: a
Diff: 1
Type: MC
Page Reference: 30
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

25) _____ refers to the movement toward a more interconnected and interdependent world economy.
a. Capitalization
Incorrect: *Globalization is the movement toward a more interconnected and interdependent world economy. This means that economies around the world are merging as technology, goods and services, labour, and capital move back and forth across international borders.*
b. Integration
Incorrect: *Globalization is the movement toward a more interconnected and interdependent world economy. This means that economies around the world are merging as technology, goods and services, labour, and capital move back and forth across international borders.*
c. Globalization
Correct: *Globalization is the movement toward a more interconnected and interdependent world economy. This means that economies around the world are merging as technology, goods and services, labour, and capital move back and forth across international borders.*
d. Corporation
Incorrect: *Globalization is the movement toward a more interconnected and interdependent world economy. This means that economies around the world are merging as technology, goods and services, labour, and capital move back and forth across international borders.*

Answer: c
Diff: 2
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

26) The generation born between 1943 and 1960 is referred to as _____.
a. Generation X
Incorrect: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*
b. Generation Y
Incorrect: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*

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c. baby boomers
Correct: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*
d. immigrants
Incorrect: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*

Answer: c
Diff: 2
Type: MC
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

27) By 2020, most of the baby boomers will have begun _____.
a. to sell off assets
Incorrect: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*
b. to borrow for retirement
Incorrect: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*
c. a second career
Incorrect: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*
d. retirement
Correct: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population. By 2020, they will be sixty to seventy-seven years old, and most of t hem will have begun their retirement.*

Answer: d
Diff: 2
Type: MC
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

28) Which of the following are often permitted to operate as regulated monopolies?
a. appliance companies
Incorrect: *Utility companies are often permitted to operate as regulated monopolies because they deal with limited supplies of resources like water. However, although they are allowed to run as*

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monopolies, the government will regulate their prices to ensure that they do not inflate the price to exorbitant amounts.
b. insurance companies
Incorrect: *Utility companies are often permitted to operate as regulated monopolies because they deal with limited supplies of resources like water. However, although they are allowed to run as monopolies, the government will regulate their prices to ensure that they do not inflate the price to exorbitant amounts.*
c. textile companies
Incorrect: *Utility companies are often permitted to operate as regulated monopolies because they deal with limited supplies of resources like water. However, although they are allowed to run as monopolies, the government will regulate their prices to ensure that they do not inflate the price to exorbitant amounts.*
d. utility companies
Correct: *Utility companies are often permitted to operate as regulated monopolies because they deal with limited supplies of resources like water. However, although they are allowed to run as monopolies, the government will regulate their prices to ensure that they do not inflate the price to exorbitant amounts.*

Answer: d
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

29) How does the government monitor natural monopolies?
a. It imposes higher taxes.
Incorrect: *The government regulates the prices for these goods and services.*
b. It imposes lower taxes.
Incorrect: *The government regulates the prices for these goods and services.*
c. It regulates their prices.
Correct: *The government regulates the prices for these goods and services.*
d. It asks for annual reports.
Incorrect: *The government regulates the prices for these goods and services.*

Answer: c
Diff: 1
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

30) In a monopoly, where only one seller supplies a product or service, _____.
a. demand may be lower
Incorrect: *A monopoly occurs when there is only one provider of a service or product and no substitutes for the product exist.*

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b. demand may vary
Incorrect: *A monopoly occurs when there is only one provider of a service or product and no substitutes for the product exist.*
c. supply may be abundant
Incorrect: *A monopoly occurs when there is only one provider of a service or product and no substitutes for the product exist.*
d. supply may be limited
Correct: *A monopoly occurs when there is only one provider of a service or product and no substitutes for the product exist.*

Answer: d
Diff: 1
Type: MC
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry.

31) Pure H2O is a company that provides water to consumers and operates as a water distribution monopoly. Why is the company permitted to operate as a monopoly?
a. Pure H2O is permitted to operate as a natural monopoly in an effort to conserve natural resources.
Correct: *Pure H2O is an example of a utility company. This type of company is permitted by the government to operate as a monopoly.*
b. Pure H2O is permitted to operate as a natural monopoly because it pays its taxes annually.
Incorrect: *Pure H2O is an example of a utility company. This type of company is permitted by the government to operate as a monopoly.*
c. Pure H2O is permitted to operate as a natural monopoly because of its campaign to promote water conservation.
Incorrect: *Pure H2O is an example of a utility company. This type of company is permitted by the government to operate as a monopoly.*
d. Pure H2O is permitted to operate as a natural monopoly in an effort to provide consumers with the best service.
Incorrect: *Pure H2O is an example of a utility company. This type of company is permitted by the government to operate as a monopoly.*

Answer: a
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

32) The Nook is the only bookstore in George's neighbourhood. Which market structure is this an example of?
a. communism

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Incorrect: *The Nook would be considered a monopoly since it is the only provider of books, and no substitute for the product exists in the area.*
b. monopoly
Correct: *The Nook would be considered a monopoly since it is the only provider of books, and no substitute for the product exists in the area.*
c. oligopoly
Incorrect: *The Nook would be considered a monopoly since it is the only provider of books, and no substitute for the product exists in the area.*
d. socialism
Incorrect: *The Nook would be considered a monopoly since it is the only provider of books, and no substitute for the product exists in the area.*

Answer: b
Diff: 3
Type: MC
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry.

33) Which of the following determines the level of competition in a given market?
a. the number of substitutes for a certain product or service
Correct: *The number of substitutes for a certain product or service determines the degree (level) of competition.*
b. the amount of value attached to the cost of labour
Incorrect: *The number of substitutes for a certain product or service determines the degree (level) of competition.*
c. the degree of government intervention in the market
Incorrect: *The number of substitutes for a certain product or service determines the degree (level) of competition.*
d. the level of consumption for a given product
Incorrect: *The number of substitutes for a certain product or service determines the degree (level) of competition.*

Answer: a
Diff: 3
Type: MC
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry.

34) A new aircraft manufacturer opened in Claire's neighbourhood. Now Claire's business has the choice of whether to buy parts from the existing local supplier or from the new manufacturer in town. What type of market structure is her neighbourhood experiencing?
a. monopoly
Incorrect: *Since a few sellers already exist, the current local supplier doesn't have the monopoly of the market anymore. In an oligopoly, each seller has a fairly large share of the market.*

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b. monopolistic competition
Incorrect: *Since a few sellers already exist, the current local supplier doesn't have the monopoly of the market anymore. In an oligopoly, each seller has a fairly large share of the market.*
c. oligopoly
Correct: *Since a few sellers already exist, the current local supplier doesn't have the monopoly of the market anymore. In an oligopoly, each seller has a fairly large share of the market.*
d. perfect competition
Incorrect: *Since a few sellers already exist, the current local supplier doesn't have the monopoly of the market anymore. In an oligopoly, each seller has a fairly large share of the market.*

Answer: c
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

35) Which market structure occurs when there are only a few sellers?
a. communism
Incorrect: *An oligopoly may be formed when another company enters a monopoly. An oligopoly is a form of competition in which only a few sellers exist.*
b. monopoly
Incorrect: *An oligopoly may be formed when another company enters a monopoly. An oligopoly is a form of competition in which only a few sellers exist.*
c. oligopoly
Correct: *An oligopoly may be formed when another company enters a monopoly. An oligopoly is a form of competition in which only a few sellers exist.*
d. socialism
Incorrect: *An oligopoly may be formed when another company enters a monopoly. An oligopoly is a form of competition in which only a few sellers exist.*

Answer: c
Diff: 1
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

36) Which of the following reasons BEST describes why competition is strong in an oligopoly?
a. There is little difference between products.
Correct: *Because there is little differentiation between products, competition is strong in an oligopoly, and prices differ only slightly, if at all, between the few suppliers.*
b. The market emphasizes consumption.
Incorrect: *Because there is little differentiation between products, competition is strong in an oligopoly, and prices differ only slightly, if at all, between the few suppliers.*
c. The demand for products is very high.

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Incorrect: *Because there is little differentiation between products, competition is strong in an oligopoly, and prices differ only slightly, if at all, between the few suppliers.*
d. The supply of products is very low.
Incorrect: *Because there is little differentiation between products, competition is strong in an oligopoly, and prices differ only slightly, if at all, between the few suppliers.*

Answer: a
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

37) When competition is strong in an oligopoly, which of the following would MOST likely happen?
a. Prices would differ slightly.
Correct: *Prices differ slightly in an oligopoly because if one company cuts prices, its action is usually matched quickly by the competition. Competition in an oligopoly is centred on product differentiation more than on price.*
b. Consumers would buy a lot.
Incorrect: *Prices differ slightly in an oligopoly because if one company cuts prices, its action is usually matched quickly by the competition. Competition in an oligopoly is centred on product differentiation more than on price.*
c. Prices would go up fast.
Incorrect: *Prices differ slightly in an oligopoly because if one company cuts prices, its action is usually matched quickly by the competition. Competition in an oligopoly is centred on product differentiation more than on price.*
d. Consumers would complain.
Incorrect: *Prices differ slightly in an oligopoly because if one company cuts prices, its action is usually matched quickly by the competition. Competition in an oligopoly is centred on product differentiation more than on price.*

Answer: a
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

38) Which of the following statements describes product differentiation?
a. making one product stand out from another
Correct: *Product differentiation is best described as making one product stand out from another.*
b. increasing prices for products that are in demand
Incorrect: *Product differentiation is best described as making one product stand out from another.*
c. lowering prices for products that are not in demand

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Incorrect: *Product differentiation is best described as making one product stand out from another.*
d. supplying different products in the market
Incorrect: *Product differentiation is best described as making one product stand out from another.*

Answer: a
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

39) What makes monopolistic competition different from an oligopoly?
a. the added choice of a product that consumers perceive to be superior
Correct: *In both monopolistic competition and oligopoly, there is little differentiation between products. Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who favour one product offering over another.*
b. little differentiation between products
Incorrect: *In both monopolistic competition and oligopoly, there is little differentiation between products. Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who favour one product offering over another.*
c. demonstration of an imperfect competition
Incorrect: *In both monopolistic competition and oligopoly, there is little differentiation between products. Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who favour one product offering over another.*
d. the nature of government sanctions
Incorrect: *In both monopolistic competition and oligopoly, there is little differentiation between products. Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who favour one product offering over another.*
Answer: a
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

40) Tony's used to be the only used car dealership near campus until ReRevved Engines opened a few months ago. The competition between dealerships is a(n) _____.
a. monopoly

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Incorrect: *An oligopoly is a market structure in which only a few companies offer a service or product. In this situation, Tony's monopoly over used cars turned into an oligopoly when a competitor came into the picture.*
b. market competition
Incorrect: *An oligopoly is a market structure in which only a few companies offer a service or product. In this situation, Tony's monopoly over used cars turned into an oligopoly when a competitor came into the picture.*
c. oligopoly
Correct: *An oligopoly is a market structure in which only a few companies offer a service or product. In this situation, Tony's monopoly over used cars turned into an oligopoly when a competitor came into the picture.*
d. perfect competition
Incorrect: *An oligopoly is a market structure in which only a few companies offer a service or product. In this situation, Tony's monopoly over used cars turned into an oligopoly when a competitor came into the picture.*

Answer: c
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

41) What kind of competitive environment exists when there are many sellers who offer similar products but buyers perceive one product as favourable to the others?
a. a monopoly
Incorrect: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who favour one product offering over another.*
b. monopolistic competition
Correct: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*
c. an oligopoly
Incorrect: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*
d. perfect competition
Incorrect: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*

Answer: b
Diff: 1
Type: MC
Page Reference: 33

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Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

42) Chapters Indigo establishes a branch in George's neighbourhood. Suppose that the perception among the residents in George's neighbourhood is that Chapters Indigo offers the best selection of books compared with the other bookstores in town. What type of market is this?
a. monopoly
Incorrect: *The added choice of a perceived superior product creates monopolistic competition. Even though Chapters Indigo is not the only bookstore in town, it still holds an edge over the competitors, making the market seem like more of a monopoly.*
b. monopolistic competition
Correct: *The added choice of a perceived superior product creates monopolistic competition. Even though Chapters Indigo is not the only bookstore in town, it still holds an edge over the competitors, making the market seem like more of a monopoly.*
c. oligopoly
Incorrect: *The added choice of a perceived superior product creates monopolistic competition. Even though Chapters Indigo is not the only bookstore in town, it still holds an edge over the competitors, making the market seem like more of a monopoly.*
d. perfect competition
Incorrect: *The added choice of a perceived superior product creates monopolistic competition. Even though Chapters Indigo is not the only bookstore in town, it still holds an edge over the competitors, making the market seem like more of a monopoly.*

Answer: b
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

43) In most cases, how does one product differ from another in a monopolistic competition?
a. availability in the market
Incorrect: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*
b. price
Correct: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*
c. quality
Incorrect: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*
d. demand from world market

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Incorrect: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*

Answer: b
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

44) What type of competition exists when there are many sellers of products that are virtually identical, and any seller can easily enter and exit the market?
a. monopoly
Incorrect: *Perfect competition occurs when there are many sellers with little difference between their products, and any seller can easily enter and exit the market.*
b. monopolistic competition
Incorrect: *Perfect competition occurs when there are many sellers with little difference between their products, and any seller can easily enter and exit the market.*
c. oligopoly
Incorrect: *Perfect competition occurs when there are many sellers with little difference between their products, and any seller can easily enter and exit the market.*
d. perfect competition
Correct: *Perfect competition occurs when there are many sellers with little difference between their products, and any seller can easily enter and exit the market.*

Answer: d
Diff: 1
Type: MC
Page Reference: 33
Objective: 2.7 Explain the impact that perfect competition has on selling price.

45) If the competition for digital cameras moved from a monopoly to an oligopoly, what would happen to the supply of digital cameras?
a. Supply would decrease.
Incorrect: *In a monopoly, only one company would be providing the product and therefore supply would be limited. With an oligopoly, there is an increase in suppliers, and therefore supply would increase as well.*
b. Supply would increase.
Correct: *In a monopoly, only one company would be providing the product and therefore supply would be limited. With an oligopoly, there is an increase in suppliers, and therefore supply would increase as well.*
c. Supply would stay the same.
Incorrect: *In a monopoly, only one company would be providing the product and therefore supply would be limited. With an oligopoly, there is an increase in suppliers, and therefore supply would increase as well.*

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d. Supply would go up and down.
Incorrect: *In a monopoly, only one company would be providing the product and therefore supply would be limited. With an oligopoly, there is an increase in suppliers, and therefore supply would increase as well.*

Answer: b
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

46) A number of stores on Faulkner Street sell fresh fruits and vegetables. The products appear to be identical and the prices differ little, if at all. What type of market competition is this?
a. monopoly
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
b. monopolistic competition
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
c. oligopoly
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
d. perfect competition
Correct: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*

Answer: d
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.7 Explain the impact that perfect competition has on selling price.

47) What type of market competition exists when no single seller can influence the price of the product?
a. monopoly
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
b. monopolistic competition

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Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
c. oligopoly
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
d. perfect competition
Correct: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*

Answer: d
Diff: 3
Type: MC
Page Reference: 33
Objective: 2.7 Explain the impact that perfect competition has on selling price.

48) Which kind of products most closely resemble perfect competition?
a. oil and gas
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
b. real estate
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
c. automobiles
Incorrect: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*
d. fruits
Correct: *In perfect competition, there are many sellers, and no single seller can set the price for products. In monopolies, there is only one company selling something, and in oligopolies, there are a few companies, but they set competitive prices against one another.*

Answer: d
Diff: 3
Type: MC
Page Reference: 34
Objective: 2.7 Explain the impact that perfect competition has on selling price.

49) Which kind of competition exists in the shoe industry, among Nike, Adidas, Under Armour and others?
a. monoply
Incorrect: *Monopolistic competition is everywhere. It exists in the shoe industry among Nike,*

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Adidas, Under Armour, and others.
b. perfect competition
Incorrect: *Monopolistic competition is everywhere. It exists in the shoe industry among Nike, Adidas, Under Armour, and others.*
c. monopolistic competition
Correct: *Monopolistic competition is everywhere. It exists in the shoe industry among Nike, Adidas, Under Armour, and others.*
d. oligolopy
Incorrect: *Monopolistic competition is everywhere. It exists in the shoe industry among Nike, Adidas, Under Armour, and others.*

Answer: c
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

50) Which kind of competition exists in the coffee industry, between Tim Hortons, Starbucks, Country Style, and others?
a. monopolistic competition
Correct: *Monopolistic competition is everywhere. It also exists in the shoe industry among Nike, Adidas, Under Armour, and others.*
b. perfect competition
Incorrect: *Monopolistic competition is everywhere. It also exists in the shoe industry among Nike, Adidas, Under Armour, and others.*
c. monopoly
Incorrect: *Monopolistic competition is everywhere. It also exists in the shoe industry among Nike, Adidas, Under Armour, and others.*
d. oligolopy
Incorrect: *Monopolistic competition is everywhere. It also exists in the shoe industry among Nike, Adidas, Under Armour, and others.*
Answer: a
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

51) If one large firm is the only producer of a product, and then another firm enters that industry and is successful in competing, the industry may move from being considered a (n) _____ to being a (n) _____.
a. monopolistic competition; monopoly
Incorrect: *An oligopoly may be formed when another company enters a monopoly.*
b. monopoly; monopolistic competition
Incorrect: *An oligopoly may be formed when another company enters a monopoly.*

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c. monopoly; oligopoly
Correct: *An oligopoly may be formed when another company enters a monopoly.*
d. oligolopy; perfect competition
Incorrect: *An oligopoly may be formed when another company enters a monopoly.*
Answer: c
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

52) If a company receives a patent giving it exclusive use of an invented product or process, it is said to have a _____.
a. competitive monopoly
Incorrect: *Legal monopolies occur when a company receives a patent giving it exclusive use of an invented product or process. Polaroid held a patent on instant photography technology for a number of years (patents exist for a predetermined amount of time).*
b. natural monopoly
Incorrect: *Legal monopolies occur when a company receives a patent giving it exclusive use of an invented product or process. Polaroid held a patent on instant photography technology for a number of years (patents exist for a predetermined amount of time).*
c. legal monopoly
Correct: *Legal monopolies occur when a company receives a patent giving it exclusive use of an invented product or process. Polaroid held a patent on instant photography technology for a number of years (patents exist for a predetermined amount of time).*
d. limited monopoly
Incorrect: *Legal monopolies occur when a company receives a patent giving it exclusive use of an invented product or process. Polaroid held a patent on instant photography technology for a number of years (patents exist for a predetermined amount of time).*
Answer: c
Diff: 2
Type: MC
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

53) In Canada, which organization reviews all mergers in all sectors to determine if they will result in substantial lessening or prevention of competition?
a. The Competition Bureau
Correct: *Canada's Competition Bureau reviews all mergers in all sectors to determine whether they will likely result in substantial lessening or prevention of competition.*
b. Statistics Canada
Incorrect: *Canada's Competition Bureau reviews all mergers in all sectors to determine whether they will likely result in substantial lessening or prevention of competition.*
c. Industry Canada

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Incorrect: *Canada's Competition Bureau reviews all mergers in all sectors to determine whether they will likely result in substantial lessening or prevention of competition.*
d. The Department of Trade
Incorrect: *Canada's Competition Bureau reviews all mergers in all sectors to determine whether they will likely result in substantial lessening or prevention of competition.*
Answer: a
Diff: 2
Type: MC
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry.

54) All of the following, except one, are considered forces in Porter's Five Forces model, which is the **exception**?
a. Threat of new entrants
Incorrect: *The threat of substitutes is one of the forces in the model. The threat of compliments is not. Compliments are goods that are used with another product, the greater the number of compliments, the greater potential for increased use of the product.*
b. Threat of substitutes
Incorrect: *The threat of substitutes is one of the forces in the model. The threat of compliments is not. Compliments are goods that are used with another product, the greater the number of compliments, the greater potential for increased use of the product.*
c. Bargaining power of suppliers
Incorrect: *The threat of substitutes is one of the forces in the model. The threat of compliments is not. Compliments are goods that are used with another product, the greater the number of compliments, the greater potential for increased use of the product.*
d. Threat of compliments
Correct: *The threat of substitutes is one of the forces in the model. The threat of compliments is not. Compliments are goods that are used with another product, the greater the number of compliments, the greater potential for increased use of the product.*

Answer: d
Diff: 2
Type: MC
Page Reference: 31
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

55) In a market economy such as in Canada and the United States, which of the following is considered the driving force?
a. The labour market
Incorrect: *In a market economy, competition is the driving force.*
b. Natural resources
Incorrect: *In a market economy, competition is the driving force.*
c. Competition
Correct: *In a market economy, competition is the driving force.*

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d. Technology
Incorrect: *In a market economy, competition is the driving force.*
Answer: c
Diff: 2
Type: MC
Page Reference: 30
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

56) What is the name of the model developed by Porter to analyze competitive situations?
a. Competitive Forces Frontier
Incorrect: *One tool used by managers to analyze competitive situations is Porter's five forces model, which depicts the five forces that affect industry competition (see Figure 2.2).*
b. Industry Competition Reporting
Incorrect: *One tool used by managers to analyze competitive situations is Porter's five forces model, which depicts the five forces that affect industry competition (see Figure 2.2).*
c. Five Forces Model
Correct: *One tool used by managers to analyze competitive situations is Porter's five forces model, which depicts the five forces that affect industry competition (see Figure 2.2).*
d. Frictional Force Factors
Incorrect: *One tool used by managers to analyze competitive situations is Porter's five forces model, which depicts the five forces that affect industry competition (see Figure 2.2).*
Answer: c
Diff: 2
Type: MC
Page Reference: 30
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

57) The intensity of rivalry is high when which of the following conditions exist?
a. There are few competitors.
Incorrect: *The intensity of rivalry is high when there are many competitors, competitors have equal size or market share, there is little differentiation between products, or consumers have no preference for a particular brand.*
b. Competitors have equal size or market share.
Correct: *The intensity of rivalry is high when there are many competitors, competitors have equal size or market share, there is little differentiation between products, or consumers have no preference for a particular brand.*
c. There is substantial differentiation between products.
Incorrect: *The intensity of rivalry is high when there are many competitors, competitors have equal size or market share, there is little differentiation between products, or consumers have no preference for a particular brand.*
d. Consumers have clear preferences for a particular brand.
Incorrect: *The intensity of rivalry is high when there are many competitors, competitors have equal size or market share, there is little differentiation between products, or consumers have no preference for a particular brand.*

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Answer: b
Diff: 3
Type: MC
Page Reference: 32
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

58) The bargaining power of suppliers is high when _____.
a. the product is highly differentiated
Correct: *When there are only a few suppliers from which a company can order the supplies it needs to do business, then the suppliers have a great deal of bargaining power. The bargaining power of suppliers is high when the product is highly differentiated or substitutes are unavailable.*
b. many substitutes are available
Incorrect: *When there are only a few suppliers from which a company can order the supplies it needs to do business, then the suppliers have a great deal of bargaining power. The bargaining power of suppliers is high when the product is highly differentiated or substitutes are unavailable.*
c. the product is has many close substitutes
Incorrect: *When there are only a few suppliers from which a company can order the supplies it needs to do business, then the suppliers have a great deal of bargaining power. The bargaining power of suppliers is high when the product is highly differentiated or substitutes are unavailable.*
d. there are many suppliers from whom to order the supplies it needs to do business
Incorrect: *When there are only a few suppliers from which a company can order the supplies it needs to do business, then the suppliers have a great deal of bargaining power. The bargaining power of suppliers is high when the product is highly differentiated or substitutes are unavailable.*
Answer: a
Diff: 3
Type: MC
Page Reference: 31-32
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

59) The threat of substitutes is high if consumers:
a. cannot find a substitute that has better quality
Incorrect: *The threat of substitutes is high if consumers can easily switch to the products of another industry that are cheaper, can find a substitute that has better quality or performance, or can switch at a low personal cost.*
b. can easily switch to the products of another industry that are cheaper
Correct: *The threat of substitutes is high if consumers can easily switch to the products of another industry that are cheaper, can find a substitute that has better quality or performance, or can switch at a low personal cost.*
c. cannot find a substitute that has better performance

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Incorrect: *The threat of substitutes is high if consumers can easily switch to the products of another industry that are cheaper, can find a substitute that has better quality or performance, or can switch at a low personal cost.*
d. can switch products, but at a significant personal cost
Incorrect: *The threat of substitutes is high if consumers can easily switch to the products of another industry that are cheaper, can find a substitute that has better quality or performance, or can switch at a low personal cost.*
Answer: b
Diff: 3
Type: MC
Page Reference: 31
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

60) In which macro environment does human knowledge belong?
a. Sociocultural
Incorrect: *The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.*
b. Economic
Incorrect: *The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.*
c. Political-legal
Incorrect: *The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.*
d. Technological
Correct: *The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.*

Answer: d
Diff: 3
Type: MC
Page Reference: 28
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

61) In which macro environment is physical equipment considered?
a. Sociocultural
Incorrect: The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.
b. Economic

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Incorrect: The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.
c. Political-legal
Incorrect: The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.
d. Technological
Correct: The technological environment includes human knowledge, work methods, physical equipment, electronics and telecommunications, and various processing systems used to perform business activities.

Answer: d
Diff: 3
Type: MC
Page Reference: 28
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

62) In which business environment are demographic variables, such as age and gender, considered?
a. Sociocultural
Correct: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
b. Economic
Incorrect: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
c. Political-legal
Incorrect: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
d. Technological
Incorrect: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
Answer: a
Diff: 2
Type: MC
Page Reference: 25
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

63) In which business environment is income distribution considered?
a. Sociocultural
Correct: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
b. Economic

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Incorrect: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
c. Political-legal
Incorrect: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
d. Technological
Incorrect: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
Answer: a
Diff: 2
Type: MC
Page Reference: 25
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

64) In which business environment is consumer purchasing power considered?
a. Sociocultural
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
b. Economic
Correct: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability*.
c. Political-legal
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
d. Technological
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
Answer: b
Diff: 2
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

65) In which business environment is environmental sustainability considered?
a. Sociocultural
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
b. Economic

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Correct: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
c. Political-legal
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
d. Technological
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
Answer: b
Diff: 2
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

66) In which business environment is a shortage of labour in highly skilled industries considered?
a. Sociocultural
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
b. Economic
Correct: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
c. Political-legal
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
d. Technological
Incorrect: *The economic environment consists of factors that affect consumer purchasing power and spending patterns. Such factors might include the changing value of the Canadian dollar, a skilled-labour shortage, and environmental sustainability.*
Answer: b
Diff: 2
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

67) In which business environment are changing tax regulations considered?
a. Sociocultural

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Incorrect: *Laws pertaining to taxes, competition, consumers, products, and the environment (land, air, and water) are some of the laws that organizations need to be aware of.*
b. Economic
Incorrect: *Laws pertaining to taxes, competition, consumers, products, and the environment (land, air, and water) are some of the laws that organizations need to be aware of.*
c. Political-legal
Correct: *Laws pertaining to taxes, competition, consumers, products, and the environment (land, air, and water) are some of the laws that organizations need to be aware of.*
d. Technological
Incorrect: *Laws pertaining to taxes, competition, consumers, products, and the environment (land, air, and water) are some of the laws that organizations need to be aware of.*
Answer: c
Diff: 2
Type: MC
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

68) In which business environment is the government's relationship with businesses considered?
a. Sociocultural
Incorrect: *The political–legal environment reflects the government's relationship with business.*
b. Economic
Incorrect: *The political–legal environment reflects the government's relationship with business.*
c. Political-legal
Correct: *The political–legal environment reflects the government's relationship with business.*
d. Technological
Incorrect: *The political–legal environment reflects the government's relationship with business.*
Answer: c
Diff: 2
Type: MC
Page Reference: 23
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

69) In which business environment are special interest groups considered?
a. Sociocultural
Incorrect: *Organizations hire lobbyists to influence legislation and run advocacy ads that state their point of view on public issues. Special interest groups have grown in number and power, putting more constraints on marketers.*
b. Economic
Incorrect: *Organizations hire lobbyists to influence legislation and run advocacy ads that state their point of view on public issues. Special interest groups have grown in number and power, putting more constraints on marketers.*
c. Political-legal

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Correct: *Organizations hire lobbyists to influence legislation and run advocacy ads that state their point of view on public issues. Special interest groups have grown in number and power, putting more constraints on marketers.*
d. Technological
Incorrect: *Organizations hire lobbyists to influence legislation and run advocacy ads that state their point of view on public issues. Special interest groups have grown in number and power, putting more constraints on marketers.*
Answer: c
Diff: 2
Type: MC
Page Reference: 23
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

70) How businesses are affected by government relationships is often a direct result of:
a. the type of competition in the industry
Incorrect: *It is often a direct consequence of the political parties in power, which represent the popular opinion of the citizens of a region.*
b. the political parties in power
Correct: *It is often a direct consequence of the political parties in power, which represent the popular opinion of the citizens of a region.*
c. the performance of the economy
Incorrect: *It is often a direct consequence of the political parties in power, which represent the popular opinion of the citizens of a region.*
d. the level of unemployment in the country
Incorrect: *It is often a direct consequence of the political parties in power, which represent the popular opinion of the citizens of a region.*
Answer: b
Diff: 3
Type: MC
Page Reference: 23
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

71) The PEST model distinguishes online shopping as a (n):
a. legal factor
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
b. industry factor
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
c. economic factor

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Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
d. technological factor
Correct: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
Answer: d
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

72) The PEST model distinguishes research and development as a (n):
a. legal factor
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
b. industry factor
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
c. economic factor
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
d. technological factor
Correct: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
Answer: d
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

73) The PEST model distinguishes global access as a (n):
a. legal factor
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
b. industry factor

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Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
c. economic factor
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
d. technological factor
Correct: *As technology changes, companies must adjust business practices to compete in the global business world. Factors include new technologies, online shopping, research and development, and global access.*
Answer: d
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

74) The PEST model distinguishes ethical considerations as a (n):
a. marketing factor
Incorrect: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
b. industry factor
Incorrect: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
c. economic factor
Incorrect: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
d. sociocultural factor
Correct: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
Answer: d
Diff: 2
Type: MC
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Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

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75) The PEST model distinguishes social trends such as lowering cholesterol or limiting caffeine consumption as a (n):
a. legal factor
Incorrect: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
b. environmental factor
Incorrect: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
c. economic factor
Incorrect: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
d. sociocultural factor
Correct: *Consumer behaviour and preferences will affect decisions about product offerings. For example, environmentally friendly business processes affect demand patterns and create business opportunities. Other factors may include social trends, demographics, and ethical considerations.*
Answer: d
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

76) The PEST model distinguishes inflation and exchange rates as a (n):
a. legal factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
b. economic factor
Correct: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
c. technological factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
d. sociocultural factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*

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Answer: b
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

77) The PEST model distinguishes interest rates as a (n):
a. legal factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
b. economic factor
Correct: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
c. technological factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
d. sociocultural factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
Answer: b
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

78) The PEST model distinguishes industry changes as a (n):
a. legal factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
b. economic factor
Correct: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
c. technological factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
d. sociocultural factor

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Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
Answer: b
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

79) The PEST model distinguishes inflation and exchange rates as a (n):
a. global factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
b. economic factor
Correct: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
c. environmental factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
d. sociocultural factor
Incorrect: *Changes in the local, national, or global economy can affect business operations. Factors may include interest rates, economic growth, industry changes, inflation and exchange rates, and taxation changes.*
Answer: b
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

80) The PEST model distinguishes competition laws as a(n):
a. political-legal factor
Correct: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
b. economic factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
c. technological factor

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Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
d. cultural factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
Answer: a
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

81) The PEST model distinguishes product regulations as a(n):
a. political-legal factor
Correct: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
b. operational factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
c. technological factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
d. sociocultural factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
Answer: a
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

82) The PEST model distinguishes health and safety legislation as a (n):
a. political-legal factor

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Correct: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
b. economic factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
c. technological factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
d. sociocultural factor
Incorrect: *Government policy and political decisions can affect many vital areas of business. Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
Answer: a
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

83) All of the following are variations of the PEST model, **except:**
a. PESTEL
Incorrect: *SWOT refers to strengths, weaknesses, opportunities, and threats.*
b. SWOT
Correct: *SWOT refers to strengths, weaknesses, opportunities, and threats.*
c. STEEPLE
Incorrect: *SWOT refers to strengths, weaknesses, opportunities, and threats.*
d. PESTLE
Incorrect: *SWOT refers to strengths, weaknesses, opportunities, and threats.*
Answer: b
Diff: 2
Type: MC
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

84) Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging population in Canada.
a. True

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Correct: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population.*
b. False
Incorrect: *Baby boomers, the generation born between 1943 and 1960, represent the majority of the aging Canadian population.*

Answer: a
Diff: 1
Type: TF
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

85) Baby boomers do not appeal to companies as a target market because they do not have much spending power.
a. True
Incorrect: *Opportunities exist for businesses to market to baby boomers as they age. As boomers become empty-nesters, they will most likely move to smaller homes or condominiums closer to the cities, where they can be close to shopping, restaurants, and entertainment.*
b. False
Correct: *Opportunities exist for businesses to market to baby boomers as they age. As boomers become empty-nesters, they will most likely move to smaller homes or condominiums closer to the cities, where they can be close to shopping, restaurants, and entertainment.*
Answer: b
Diff: 1
Type: TF
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

86) According to Statistics Canada, by 2026—when most baby boomers will have retired—the median age of Canadians will rise to 43.3 years and the share of seniors will be 21.2 percent. By 2051, these figures are estimated to rise to 46.8 years and 26.4 percent, respectively.
a. True
Correct: *According to Statistics Canada, by 2026—when most baby boomers will have retired—the median age of Canadians will rise to 43.3 years and the share of seniors will be 21.2 percent.*
b. False
Incorrect: *According to Statistics Canada, by 2026—when most baby boomers will have retired—the median age of Canadians will rise to 43.3 years and the share of seniors will be 21.2 percent.*

Answer: a
Diff: 1
Type: TF
Page Reference: 26

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Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

87) Michael decided that it might be profitable to start a business that catered to the needs of baby boomers. He believed this would be a good business move because, as the boomer generation aged, its needs would change. An older population offers business opportunities in terms of health care, pharmaceuticals, and travel industries.
a. True
Correct: *Many businesses will try to cater to the needs of the aging baby boomer generation because an aging population presents many new business opportunities.*
b. False
Incorrect: *Many businesses will try to cater to the needs of the aging baby boomer generation because an aging population presents many new business opportunities.*

Answer: a
Diff: 2
Type: TF
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

88) A green economy is one that factors ecological concerns into its business decisions.
a. True
Correct: *A green economy factors ecological concerns into its business decisions.*
b. False
Incorrect: *A green economy factors ecological concerns into its business decisions.*

Answer: a
Diff: 1
Type: TF
Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

89) Globalization reduces competition for Canadian-based businesses and workers.
a. True
Incorrect: *Globalization increases competition by driving down prices for both products and labour.*
b. False
Correct: *Globalization increases competition by driving down prices for both products and labour.*

Answer: b
Diff: 2
Type: TF
Page Reference: 24

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Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

90) Keeping up with the pace of technology is an expensive operation for many businesses.
a. True
Correct: *Computers become outdated after three years and obsolete after five, so they must be upgraded frequently. The cost of software, training, and technology infrastructure further adds to the expense.*
b. False
Incorrect: *Computers become outdated after three years and obsolete after five, so they must be upgraded frequently. The cost of software, training, and technology infrastructure further adds to the expense.*

Answer: a
Diff: 2
Type: TF
Page Reference: 28
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

91) Telecommuting is a manifestation of the "virtual global workforce."
a. True
Correct: *Technology like the Internet that enables workers to work anywhere regardless of their location has vastly expanded the pool of labour that companies can draw on to build their workforce.*
b. False
Incorrect: *Technology like the Internet that enables workers to work anywhere regardless of their location has vastly expanded the pool of labour that companies can draw on to build their workforce.*

Answer: a
Diff: 2
Type: TF
Page Reference: 29
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

92) The PEST model is used to analyze factors in the internal business environment that might affect the company's ability to prosper.
a. True
Incorrect: *The PEST model (in any of its various forms) is used to analyze factors in the external business environment that might affect the company's ability to prosper.*
b. False
Correct: *The PEST model (in any of its various forms) is used to analyze factors in the external business environment that might affect the company's ability to prosper.*

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Answer: b
Diff: 2
Type: TF
Page Reference: 21
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

93) Porter's Five Forces model is used to analyze the competitive environment for a strategic business unit.
a. True
Correct: *Porter's Five Forces analysis model is used to analyze the competitive environment for a strategic business unit.*
b. False
Incorrect: *Porter's Five Forces analysis model is used to analyze the competitive environment for a strategic business unit.*

Answer: a
Diff: 2
Type: TF
Page Reference: 15
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

94) The PEST model refers to Political-legal, Economic, Sociocultural, and Technological factors.
a. True
Correct: *The PEST model (Political-legal, Economic, Sociocultural, and Technological) is used to measure changes in the external business environment that might affect the company's ability to prosper.*
b. False
Incorrect: *The PEST model (Political-legal, Economic, Sociocultural, and Technological) is used to measure changes in the external business environment that might affect the company's ability to prosper.*

Answer: a
Diff: 1
Type: TF
Page Reference: 21
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

95) A sociocultural environment is an interconnected system of different demographic factors.
a. True
Correct: *A sociocultural environment is an interconnected system of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*

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b. False
Incorrect: *A sociocultural environment is an interconnected system of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
Answer: a
Diff: 2
Type: TF
Page Reference: 25
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

96) Companies must develop a diversity initiative to outline their goals and objectives for managing, retaining, and promoting a diverse workforce.
a. True
Correct: *A diversity initiative outlines a company's goals and objectives for managing, retaining, and promoting a diverse workforce. It might include a non-discrimination policy, minority network, or diversity education.*
b. False
Incorrect: *A diversity initiative outlines a company's goals and objectives for managing, retaining, and promoting a diverse workforce. It might include a non-discrimination policy, minority network, or diversity education.*
Answer: a
Diff: 2
Type: TF
Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

97) Product and service technologies are used for creating products and services for customers.
a. True
Correct: *Product and service technologies are used for creating products and services for customers. Organizations must constantly be watching for technological breakthroughs that might make their products or services better than those of their competitors.*
b. False
Incorrect: *Product and service technologies are used for creating products and services for customers. Organizations must constantly be watching for technological breakthroughs that might make their products or services better than those of their competitors.*

Answer: a
Diff: 2
Type: TF
Page Reference: 28
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

98) The Internet had become viable before the advent of the World Wide Web.

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a. True
Incorrect: *In 1995, the Internet was just starting to proliferate. Even though it had been commercially available for years at that point, the Internet had only recently become viable after the advent of the World Wide Web a few years before.*
b. False
Correct: *In 1995, the Internet was just starting to proliferate. Even though it had been commercially available for years at that point, the Internet had only recently become viable after the advent of the World Wide Web a few years before.*

Answer: b
Diff: 2
Type: TF
Page Reference: 29
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

99) The four degrees of competition are monopoly, oligopoly, monopolistic competition, and perfect competition.
a. True
Correct: *Economists have identified the four degrees of competition as monopoly, oligopoly, monopolistic competition, and perfect competition.*
b. False
Incorrect: *Economists have identified the four degrees of competition as monopoly, oligopoly, monopolistic competition, and perfect competition.*

Answer: a
Diff: 1
Type: TF
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition athat may exist within an industry.

100) A monopoly occurs when there is only one provider of a service or product and no substitutes for the product exist.
a. True
Correct: *If one Internet company were the sole provider of Internet services, that company would be considered a monopoly.*
b. False
Incorrect: *If one Internet company were the sole provider of Internet services, that company would be considered a monopoly.*

Answer: a
Diff: 1
Type: TF
Page Reference: 32

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Objective: 2.5 Summarize the four degrees (levels) of competition athat may exist within an industry.

101) The number of substitutes for a particular product or service determines the level of competition.
a. True
Correct: *Various industries experience different degrees of competition, ranging from many competitors to few or no competitors.*
b. False
Incorrect: *Various industries experience different degrees of competition, ranging from many competitors to few or no competitors.*

Answer: a
Diff: 1
Type: TF
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition athat may exist within an industry.

102) If Bruno's Pizzeria is the only place where people can get pizza in the neighbourhood, then we can say that Bruno has an oligopoly.
a. True
Incorrect: *Bruno's Pizzeria is a monopoly because it is the only place where people can get pizza. If a few more businesses moved into the neighbourhood, then it would be an oligopoly.*
b. False
Correct: *Bruno's Pizzeria is a monopoly because it is the only place where people can get pizza. If a few more businesses moved into the neighbourhood, then it would be an oligopoly.*

Answer: b
Diff: 2
Type: TF
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition athat may exist within an industry.

103) An oligopoly is a form of competition in which only a few sellers exist.
a. True
Correct: *An oligopoly may be formed when another company enters a monopoly.*
b. False
Incorrect: *An oligopoly may be formed when another company enters a monopoly.*

Answer: a
Diff: 1
Type: TF
Page Reference: 33

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Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

104) A business environment refers to the internal forces that can affect the firm's industry and competitive environment.
a. True
Incorrect: *A business environment refers to forces* ***outside the business*** *that can affect the firm's industry and competitive environment.*
b. False
Correct: *A business environment refers to forces* ***outside the business*** *that can affect the firm's industry and competitive environment.*

Answer: b
Diff: 1
Type: TF
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

105) The macro environment is often referred to as the SWOT environment.
a. True
Incorrect: *This environment is often referred to by the acronym PEST (political–legal, economic, sociocultural, and technological).*
b. False
Correct: *This environment is often referred to by the acronym PEST (political–legal, economic, sociocultural, and technological).*

Answer: b
Diff: 2
Type: TF
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

106) Suppliers, distributors, and competitors are considered part of the competitive environment.
a. True
Correct: *The competitive environment includes groups and organizations that have a direct relationship with the business.*
b. False
Incorrect: *The competitive environment includes groups and organizations that have a direct relationship with the business.*

Answer: a
Diff: 1
Type: TF
Page Reference: 21

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Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

107) Measuring changes in business environments allows organizations to take actions to sustain the company or gain a competitive advantage.
a. True
Correct: *Organizations must continuously consider the environments within which they operate because changes in these environments feed all aspects of corporate planning.*
b. False
Incorrect: *Organizations must continuously consider the environments within which they operate because changes in these environments feed all aspects of corporate planning.*

Answer: a
Diff: 2
Type: TF
Page Reference: 21
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

108) Government policy and political decisions can affect many vital areas of business.
a. True
Correct: *Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*
b. False
Incorrect: *Factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.*

Answer: a
Diff: 1
Type: TF
Page Reference: 21
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

109) Economic factors may include ethical considerations, employment laws, competition laws, product regulations, consumer laws, sustainable environmental practices, and health and safety legislation.
a. True
Incorrect: *These are political-legal factors.*
b. False
Correct: *These are political-legal factors.*

Answer: b
Diff: 2

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Type: TF
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

110) Technological factors include online shopping, research and development, and global access.
a. True
Correct: *As technology changes, companies must adjust business practices to compete in the global business world.*
b. False
Incorrect: *As technology changes, companies must adjust business practices to compete in the global business world.*

Answer: a
Diff: 1
Type: TF
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

111) SLEPT analysis represents the social, legal, economic, political, and technological environments.
a. True
Correct: *SLEPT is one variation of the PEST model.*
b. False
Incorrect: *SLEPT is one variation of the PEST model.*

Answer: a
Diff: 1
Type: TF
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

112) The PEST model only applies on a national scale.
a. True
Incorrect: *Managers regularly analyze the changes measured by the PEST model (see Table 2.1) on a* ***local, national, and global scale*** *so they can make informed decisions, set goals, and implement strategies to increase business revenue.*
b. False
Correct: *Managers regularly analyze the changes measured by the PEST model (see Table 2.1) on a* ***local, national, and global*** *scale so they can make informed decisions, set goals, and implement strategies to increase business revenue.*

Answer: b

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Diff: 3
Type: TF
Page Reference: 22
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

113) Political decisions that affect the education of the workforce, the health of the nation, and the quality of an economy's infrastructure (such as roads and rail systems) can have an impact on many vital areas of a business.
a. True
Correct: *Three examples to illustrate this are provided on page 23.*
b. False
Incorrect: *Three examples to illustrate this are provided on page 23.*

Answer: a
Diff: 1
Type: TF
Page Reference: 23
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

114) The Internet and modern technological advances are making it difficult for small and medium-sized business to compete globally.
a. True
Incorrect: *The Internet and modern technological advances are* ***making it possible*** *for a company of any size from anywhere in the world to compete globally.*
b. False
Correct: *The Internet and modern technological advances are* ***making it possible*** *for a company of any size from anywhere in the world to compete globally.*

Answer: b
Diff: 3
Type: TF
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

115) Canada competes exclusively with its traditional economic partners and international allies, the United States and the United Kingdom – it has yet to be concerned about competition arising from new emerging economies, such as China and India.
a. True
Incorrect: *While Canada competes with its traditional economic partners and international allies, the United States and the United Kingdom,* ***it must also compete*** *with new emerging economies, such as China and India.*
b. False

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Correct: *While Canada competes with its traditional economic partners and international allies, the United States and the United Kingdom,* ***it must also compete*** *with new emerging economies, such as China and India.*

Answer: b
Diff: 2
Type: TF
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

116) As baby boomers are reaching retirement and becoming empty-nesters, there is a trend to upgrade their homes and move to the country.
a. True
Incorrect: *As boomers become empty-nesters, they will most likely move to smaller homes or condominiums closer to the cities, where they can be close to shopping, restaurants, and entertainment.*
b. False
Correct: *As boomers become empty-nesters, they will most likely move to smaller homes or condominiums closer to the cities, where they can be close to shopping, restaurants, and entertainment.*

Answer: b
Diff: 1
Type: TF
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

117) Sexual orientation is one factor considered under the sociocultural environment.
a. True
Correct: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*
b. False
Incorrect: *A sociocultural environment is made up of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.*

Answer: a
Diff: 1
Type: TF
Page Reference: 25
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

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118) As many older Canadians retire, relatively fewer young people are moving into the workforce to replace them, which means there will be a decreasing number of people available to provide social and economic support for seniors.
a. True
Correct: *In 2006 there were five working-age people (aged 20 to 64) for every senior, down from seven in 1971. By 2056, it is estimated (medium-growth scenario) that there will be only two working-age people for every senior in Canada.*
b. False
Incorrect: *In 2006 there were five working-age people (aged 20 to 64) for every senior, down from seven in 1971. By 2056, it is estimated (medium-growth scenario) that there will be only two working-age people for every senior in Canada.*

Answer: a
Diff: 3
Type: TF
Page Reference: 26
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

119) By 2031, between 25 and 28 percent of the population could consist of people born outside of Canada.
a. True
Correct: *As Canada becomes more diverse, it is important for businesses to reflect that diversity in their workforce.*
b. False
Incorrect: *As Canada becomes more diverse, it is important for businesses to reflect that diversity in their workforce.*

Answer: a
Diff: 2
Type: TF
Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

120) Today, the term *minority* applies only to people of different ethnicities.
a. True
Incorrect: *Today, the term minority applies to more than just people of different ethnicities. Some minority groups represent a person's gender, culture, religion, sexual orientation, or disability.*
b. False
Correct: *Today, the term minority applies to more than just people of different ethnicities. Some minority groups represent a person's gender, culture, religion, sexual orientation, or disability.*

Answer: b
Diff: 2
Type: TF

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Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

121) A green economy is one that factors a diversity initiative into its strategic plans.
a. True
Incorrect: *A green economy is one that factors ecological concerns into business decisions.*
b. False
Correct: *A green economy is one that factors ecological concerns into business decisions.*

Answer: b
Diff: 2
Type: TF
Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

122) Creating wind energy turbines, installing solar panels, and weatherproofing houses and office buildings are going to be necessary businesses of the twenty-first century.
a. True
Correct: *A focus on environmental issues also creates a new market that will be increasingly important in the future.*
b. False
Incorrect: *A focus on environmental issues also creates a new market that will be increasingly important in the future.*

Answer: a
Diff: 1
Type: TF
Page Reference: 28
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

123) Many businesses that exist in the bricks-and-mortar (physical store) world of commerce are now finding they also need to have an Internet presence to compete for customer loyalty.
a. True
Correct: *Many new business startups begin as online stores, with no physical location where consumers can shop.*
b. False
Incorrect: *Many new business startups begin as online stores, with no physical location where consumers can shop.*

Answer: a
Diff: 1
Type: TF
Page Reference: 29

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Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

124) The threat of entry of new competitors is high when brand names are not well known, capital investment is low, government regulation is not restrictive, and there is little differentiation between products.
a. True
Correct: *The threat of new entrants is one factor in Porter's Five Forces model.*
b. False
Incorrect: *The threat of new entrants is one factor in Porter's Five Forces model.*

Answer: a
Diff: 3
Type: TF
Page Reference: 31
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

125) The threat of substitutes is low if consumers can easily switch to the products of another industry that are cheaper.
a. True
Incorrect: *The threat of substitutes is **high** if consumers can easily switch to the products of another industry that are cheaper.*
b. False
Correct: *The threat of substitutes is **high** if consumers can easily switch to the products of another industry that are cheaper.*

Answer: b
Diff: 2
Type: TF
Page Reference: 31
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

126) The intensity of rivalry is high when there are few competitors.
a. True
Incorrect: *The intensity of rivalry is high when there are **many** competitors.*
b. False
Correct: *The intensity of rivalry is high when there are **many** competitors.*

Answer: b
Diff: 2
Type: TF
Page Reference: 32
Objective: 2.4 Describe how Porter's five forces model is used to analyze the ways competition affects an industry.

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127) The four degrees of competition are absolute measures, ranking on a 100-point scale.
a. True
Incorrect: *The four degrees of competition are four points on a scale,* ***not absolute measures***.
b. False
Correct: *The four degrees of competition are four points on a scale,* ***not absolute measures***.

Answer: b
Diff: 2
Type: TF
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry.

128) Canada's *Competition Review Board* reviews all mergers in all sectors to determine whether they will likely result in substantial lessening or prevention of competition.
a. True
Incorrect: *Canada's Competition Bureau reviews all mergers in all sectors to determine whether they will likely result in substantial lessening or prevention of competition.*
b. False
Correct: *Canada's Competition Bureau reviews all mergers in all sectors to determine whether they will likely result in substantial lessening or prevention of competition.*

Answer: b
Diff: 1
Type: TF
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry.

129) Natural monopolies occur when a company receives a patent giving it exclusive use of an invented product or process.
a. True
Incorrect: ***Legal monopolies*** *occur when a company receives a patent giving it exclusive use of an invented product or process.*
b. False
Correct: ***Legal monopolies*** *occur when a company receives a patent giving it exclusive use of an invented product or process.*

Answer: b
Diff: 1
Type: TF
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

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130) Because there is little differentiation between products, competition is strong in an oligopoly and prices differ only slightly between a few suppliers.
a. True
Correct: *If one company cuts prices, its action is usually matched quickly by the competition. Therefore, competition in an oligopoly is centred on product differentiation (making one product stand out from another) more than on price.*
b. False
Incorrect: *If one company cuts prices, its action is usually matched quickly by the competition. Therefore, competition in an oligopoly is centred on product differentiation (making one product stand out from another) more than on price.*

Answer: a
Diff: 2
Type: TF
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

131) The shoe industry which consists of companies including Nike, Adidas, Under Armour, and others is considered a natural monopoly.
a. True
Incorrect: *The shoe industry is considered to be monopolistic competition.*
b. False
Correct: *The shoe industry is considered to be monopolistic competition.*

Answer: b
Diff: 2
Type: TF
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

132) Explain how the social environment can affect businesses.

Answer:
Social, economic, or political factors can change the social environment in a country. When a demographic changes, for example, an influx of immigrants increasing racial diversity within the population, businesses must adjust accordingly to retain their share of the market.

Feedback: *Businesses must consider demographic factors such as population because this affects the way people live and spend their money. To thrive, businesses must adjust according to demographic changes in society.*

Diff: 2
Type: ES
Page Reference: 25

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Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

133) What are the advantages and disadvantages of globalization for the Canadian economy?

Answer:
Globalization reduces production costs, which in turn reduces prices for the consumer. However, increased competition from overseas firms can cause job losses for Canadian workers.

Feedback: *Globalization is a movement toward a more interconnected world. Technological advances mean that companies of any size can compete globally. This presents both advantages and risks for the Canadian economy.*

Diff: 2
Type: ES
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

134) Distinguish between the competitive and macro environments of businesses.

Answer:
The macro environment is the external environment over which the organization can exert little influence. This environment is often referred to by the acronym PEST (political–legal, economic, sociocultural, and technological). These factors create opportunities for and pose threats to the organization. The competitive environment includes groups and organizations that have a direct relationship with the business. For example, suppliers, distributors, competitors, and external customers deal with the firm regularly and have a direct interest in the activities of the company because they are clearly affected by its actions.

Feedback: *Organizations operate within several business environments that affect their potential for success. A business environment refers to forces outside the business that can affect the firm's industry and competitive environment. These forces include government regulations and policies, the economy, social and cultural issues, demographic shifts, as well as evolving technologies.*

Diff: 1
Type: ES
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

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135) Define the term *competitive environment*.

Answer:
The competitive environment includes groups and organizations that have a direct relationship with the business. For example, suppliers, distributors, competitors, and external customers deal with the firm regularly and have a direct interest in the activities of the company because they are clearly affected by its actions.

Feedback: *Companies have control over this environment and make changes to it according to strategic goals and conditions that occur outside the company.*

Diff: 2
Type: ES
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

136) Define the term *macro environment*.

Answer:
The macro environment is the external environment over which the organization can exert little influence. This environment is often referred to by the acronym PEST (political–legal, economic, sociocultural, and technological). The macro environment is the external environment over which the organization can exert little influence.

Feedback: *These factors create opportunities for and pose threats to the organization. For example, changes in government policy, fluctuations in the economy, social change, and new technologies can all have a significant effect on a company's success.*

Diff: 1
Type: ES
Page Reference: 21
Objective: 2.1 Describe the macro business environment and explain why managers must be aware of changes taking place.

137) Describe the PEST model.

Answer:
The PEST model (Political-legal, Economic, Sociocultural, and Technological) is used to measure changes in the external business environment that might affect the company's ability to prosper.

Feedback: *There are several variations of the PEST model. Other forms you may encounter include SLEPT analysis (Social, Legal, Economic, Political, and Technological) or STEEPLE analysis (Social/demographic, Technological, Economic, Environmental [nature], Political,*

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Legal, and Ethical), and sometimes PESTLE or PESTEL and PESTLIED (where the I represents International).

Diff: 2
Type: ES
Page Reference: 21
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

138) Explain how politics affects an organization.

Answer:
The political-legal environment reflects the government's relationship with business. It is often a direct consequence of the political parties in power, which represent the popular opinion of the citizens of the region.

Feedback: *Organizations hire lobbyists to influence legislation and run advocacy ads that state their point of view on public issues.*
Diff: 3
Type: ES
Page Reference: 23
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

139) Discuss how political decisions can impact a business.

Answer:
Political decisions that affect the education of the workforce, the health of the nation, and the quality of an economy's infrastructure (such as roads and rail systems) can have an impact on many vital areas of a business. Here are three examples of how political decisions might affect a business:
1. If less of the workforce receives higher education because education fees rise, then qualified employees could be more difficult for businesses to find. Once found, these employees could demand higher wages, which would increase business costs.
2. If the cost of health care rises for individuals, then households will have less money to spend on the goods and services that they may have otherwise purchased from businesses, which would decrease business profits.
3. If roads and rail systems are not kept in good repair because the government decides to spend tax money elsewhere, businesses may be forced to choose alternate transport methods or increase transport time by travelling a longer route, which would increase business costs.

Feedback: *Political stability is also an important consideration, especially for international firms. Many companies would not be willing to do business in a country where there is political unrest or where trade relationships are not defined and stable.*

Diff: 3

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Type: ES
Page Reference: 24-25
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

140) Explain how the law affects an organization.

Answer:
Laws pertaining to taxes, competition, consumers, products, and the environment (land, air, and water) are some of the laws about which organizations need to be aware.

Feedback: *Laws and regulations tell organizations what they can and cannot do, and companies that do not abide might be fined, have their managers imprisoned, or have their businesses closed for noncompliance with the law.*
Diff: 3
Type: ES
Reference: 25
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

141) What is globalization?

Answer:
Globalization is the movement toward a more interconnected and interdependent world economy.

Feedback: *This means that economies around the world are merging as technology, goods and services, labour, and capital move back and forth across international borders.*

Diff: 1
Type: ES
Page Reference: 24
Objective: 2.2 Explain how managers use the PEST model to analyze external business opportunities and threats.

142) Describe the sociocultural environment.

Answer:
A sociocultural environment is an interconnected system of different demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.

Feedback: *Social, economic, and political movements and trends cause the social environment to change constantly; an influx of immigrants can change racial demographics, or an economic slump can change income distribution demographic.*

Diff: 1

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Type: ES
Page Reference: 25
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

143) Define the term *diversity initiative*.

Answer:
A diversity initiative outlines a company's goals and objectives for managing, retaining, and promoting a diverse workforce.

Feedback: *A diversity initiative might include a non-discrimination policy, minority network, or diversity education.*

Diff: 1
Type: ES
Page Reference: 27
Objective: 2.3 Explain how sociocultural and technological forces can impact the profitability of a business.

144) Marie owns a limousine service and is looking to add several cars to her business. She only knows of a few companies that produce the kind of limousine she needs. Identify the kind of competition that exists in this situation.

Answer:
An oligopoly exists in this situation because limousines are a highly specialized kind of car, and only a few vendors sell the kind of limousine that Marie needs.

Feedback: *An oligopoly is the kind of competition in which there are only a few sellers of a certain product in the market. Because they are few, they each have a large share in the market.*

Diff: 2
Type: ES
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

145) Rashad is planning a date with his girlfriend, and he is trying to decide where he should take her for dinner. He knows his girlfriend loves pizza, so he decides to take her to a local pizzeria. However, he hears about another pizzeria in town, Angelino's, and thinks it would be a better choice. What kind of competition is shown in this situation?

Answer:
This situation shows monopolistic competition because although both restaurants serve similar products, Rashad feels one is superior to the other.

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Feedback: *Monopolistic competition exists when sellers have similar products, but one is perceived as being superior to the other.*
Diff: 2
Type: ES
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

146) When you start up a business, the chance of having a competitor is high. Assuming that your business is involved in monopolistic competition, describe what you can do to beat the competition.

Answer:
One way to beat the competition is to show that your business offers superior products or services at reasonable prices. You can also try to advertise more than your competitors, and offer promotions to create interest in your products. By showing your business's credibility and making your product seem better than your competitors', consumers will trust your product and be more loyal to it, even if a new competitor comes up.

Feedback: *Monopolistic competition occurs when there are many buyers and sellers and little differentiation between the products, but there is a perceived difference among consumers, who therefore favour one product offering over another.*

Diff: 3
Type: ES
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

147) List the four degrees of competition.

Answer:
Economists have identified four degrees of competition:
- monopoly
- oligopoly
- monopolistic competition
- perfect competition

Feedback: *The number of substitutes for a certain product or service determines the degree (level) of competition.*

Diff: 2
Type: ES
Page Reference: 32
Objective: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry.

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148) Provide an example of an industry in which monopolist competition exists.

Answer: Some examples of monopolistic competition in Canada include: the shoe industry among Nike, Adidas, Under Armour, and others; in the coffee industry among Tim Hortons, Starbucks, Country Style, and others; and in the ice cream industry among Breyers, Häagen-Dazs, and Chapman's, to name a few.

Feedback: *These are traditional monopolistic competitive businesses because there are many buyers and sellers and the products are similar but not identical.*

Diff: 2
Type: ES
Page Reference: 33
Objective: 2.6 Explain why government in Canada allows some monopolies to exist and how consumer interests are protected.

149) How is price determined under conditions of perfect competition?

Answer: When perfect competition conditions exist, no single supplier can influence the price. Selling price will be determined by the market based on available supply and existing demand for the product.

Feedback: *In reality, there are few, if any, pure forms of perfect competition.*
Diff: 2
Type: ES
Page Reference: 34
Objective: 2.7 Explain the impact that perfect competition has on selling price.

150) What effect does competition have on businesses and consumers?

Answer: Competition encourages businesses to make creative decisions and gives customers options.

Feedback: *Because of this need for competition, the Canadian government keeps a close watch on monopolies and ensures that no single seller drastically influences the price of a certain service or product.*

Diff: 3
Type: ES
Page Reference: 34
Objective: 2.7 Explain the impact that perfect competition has on selling price.

151) In which type of competitive environment is price competition greater?

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Answer: Price competition is greater under perfect competition, and least under monopoly conditions.

Feedback: *Under perfect competition, firms are considered price-takers, while under monopoly conditions, the firm is considered a price-setter.*

Diff: 3
Type: ES
Page Reference: 32-34
Objectives: 2.5 Summarize the four degrees (levels) of competition that may exist within an industry and 2.7 Explain the impact that perfect competition has on selling price.

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