Getting Ready for Exam 1

How to Get Ready for Exam 1

1. (Optional) Sign up for LearnSmart and work the chapter 1 thru 5 decks down to zero.
2. Carefully read every assigned page, taking notes if that’s your style.
3. Make vocabulary cards for every margin term, and drill them until, if given the definition, you can give the term for each one.
4. Make sure you know the correct answer to every True/False question that appears in the lecture slides (including this lecture!)
5. Review every question you missed on the Catalyst quizzes.
6. Take the practice quizzes (one per chapter) available at the “Student Online Learning Center”.
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7. Master the vocabulary flashcards available at the “Student Online Learning Center” for each chapter; in the sense that if given the definition, you can give the term for each one.

8. Review your lecture notes.

Where my definition differs from the text’s

- Unless otherwise indicated, you do need to know my definition and you do not need to know the text’s.

  Mixed economies: Economic systems which combine elements of traditional capitalism and traditional socialism.

  Franchising: A contractual arrangement whereby someone with a good idea sells others a limited set of rights to use the business name and sell a product or service in a given territory in a specified manner.

  Joint venture: A new company jointly-owned by two or more existing companies.
Where my definition differs from the text’s

**Strategic alliance:** A contract between two or more companies binding each to help the other in specific ways.

**Foreign subsidiary:** A separate legal entity located in a foreign country and owned by a U.S.-based company.

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**Capital vs. financial capital**

**Capital** (chapter 1 and lecture): Machines, tools, and buildings that make workers more productive.

**Financial capital** (chapter 5 page 121, and lecture): Money raised by a company or entrepreneur to start or expand their business. There are two ways to raise this money: take on new investors, or borrow the money.

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**Chapter 1: True or False?**

*Effectiveness* means producing goods and services using the least amount of resources.
Effectiveness: producing the desired result.

Efficiency: Producing goods and services using the least amount of resources.

Allocative efficiency: Producing the right things.

Productive efficiency: Producing the things right (by which I mean using the least amount of resources.)

Insight: The text's definition of efficiency is synonymous with my definition of productive efficiency.

Productivity: The amount of output you generate given the amount of input (e.g. hours worked).

Insight: Based on the text's definitions of the terms, you can only claim you are efficient if you have achieved the highest possible productivity.
Chapter 1: True or False?

Working as an entrepreneur is the only way to succeed in business.

Chapter 1, pages 8-9

“There are two ways to succeed in business. One is to rise through the ranks of large companies... The other, riskier path is to become an entrepreneur.”

Chapter 2: True or False?

An example of a U.S. import would be the purchase of oil by U.S. companies from Saudi Arabia.
Chapter 3: True or False?

*Protective tariffs* are designed to raise money for the government.

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Chapter 3, page 76

“There are two kinds of tariffs: protective and revenue. *Protective tariffs*...raise the retail price of imported products so that domestic goods are more competitively. These tariffs are meant to save jobs for domestic workers and (protect domestic industries) from foreign competition.”

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Chapter 3, page 76

*Revenue tariffs* (by contrast) are designed to raise money for the government.”
Chapter 3: True or False?

*Both protective tariffs and revenue tariffs raise money for the government.*

So what’s the difference?

If they both raise money for the government, what’s the difference between protective tariffs and revenue tariffs?

Answer: To distinguish one from the other, you must be able to determine the government’s goal or purpose in enacting the tariff.

How can we determine their goal?

There are two possibilities:

1. The government *states* in the legislation that their goal is to protect domestic industry or jobs, or
2. *There is no domestic industry to protect*, therefore we can deduce its purpose is to raise revenue.
Chapter 5: True or False?
Sole proprietors often find it difficult to compete directly with large firms for expert talent in salaries and benefits.

Chapter 5: True or False?
Stockholders in a corporation entrust control over the company’s daily operations to a set of officers selected by the board of directors to run the company.

Chapter 5: True or False?
Delaware is a very popular state in which to incorporate.
Chapter 5: True or False?
A limited partner is an owner who assumes no management responsibility and has no liability for losses beyond the amount he or she has invested.

Chapter 5: True or False?
A *domestic corporation* does business in the state in which it’s chartered.

**Figure 5.3**

**Corporate Types**

- Corporations can fit in more than one category:
  - An *alien corporation* does business in the United States but is chartered (incorporated) in another country.
  - A *domestic corporation* does business in the state in which it’s chartered (incorporated).
  - A *foreign corporation* does business in one state but is chartered in another. About one-third of all corporations are chartered in Delaware because of its relatively attractive rules for incorporation. A foreign corporation must register in states where it operates.
  - A *closed corporation* is one whose stock is held by a few people and isn’t available to the general public.
  - An *open public corporation* sells stock to the general public. General Motors and ExxonMobil are examples of public corporations.
  - A *quasi-public corporation* is a corporation chartered by the government as an approved monopoly to perform services for the general public. Public utilities are examples of quasi-public corporations.
  - A professional corporation is one whose owners offer professional services (doctors, lawyers, etc.). Shares in professional corporations aren’t publicly traded.
  - A *nonprofit (not-for-profit) corporation* is one that doesn’t seek personal profit for its owners.
  - A *multinational corporation* is a firm that operates in several countries.
Chapter 5: True or False?
Cory Raider is leading a group of stockholders to want to take Bigbux Corporation private. If Cory’s group succeeds, Bigbux’s stock will no longer be available to investors in the open market.

Chapter 5: True or False?
An advantage of forming a sole proprietorship is that it allows the owner to have more time for leisure activities.

Chapter 5: True or False?
Connie is a general partner in a retail cookie store. Her personal assets are legally protected from the debts and harms of the business.
Chapter 5: True or False?
According to the Spotlight on Small Business box, “Pick your Partners wisely,” it is really not necessary to interview your prospective partner carefully, especially if they are an old friend.

Chapter 5: True or False?
The S-corporation form would be particularly attractive to fast growing companies that want to attract thousands of new investors.

Chapter 5: True or False?
Like stockholders of a C corporation, owners of a limited liability company (LLC) are free to sell their ownership without the approval of other members.
Chapter 5: True or False?
The organization structure of a corporation allows for stockholders to exert a significant degree of control over the company’s daily operations.

Chapter 5: True or False?
If a corporation has after-tax profits of $360,000, and elects to distribute this amount in the form of dividends to its stockholders, these distributions are free and clear of taxes because the corporation paid taxes on this amount prior to distribution.

Chapter 5: True or False?
A cooperative is simply another name for a corporation.
Chapter 5: True or False?

It is not unusual for members of cooperatives to work for and help manage their cooperative.