

***South-Western Federal Taxation 2025 - Essentials of
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Chapter 01: Introduction to Taxation

True / False

1. The Medicare component of the FICA tax (1.45% on wages) is *progressive* as the tax due increases as wages increase.

- a. True
- b. False

ANSWER: False

2. The Federal estate and gift taxes are examples of *progressive* rate taxes.

- a. True
- b. False

ANSWER: True

3. The Federal excise tax on gasoline has a *proportional* effect on all taxpayers (that is, neither progressive or regressive).

- a. True
- b. False

ANSWER: False

4. Currently, the Federal corporate income tax is less *progressive* than the individual income tax.

- a. True
- b. False

ANSWER: True

5. Mona inherits her mother's personal residence, which she converts to a furnished rental house. These changes should affect the amount of *ad valorem* property taxes levied on the properties.

- a. True
- b. False

ANSWER: True

6. A *fixture* will be subject to the *ad valorem* tax on *personalty* rather than the *ad valorem* tax on *realty*.

- a. True
- b. False

ANSWER: False

7. Even if property tax rates are not changed, the amount of *ad valorem* taxes imposed on realty may not remain the same.

- a. True
- b. False

ANSWER: True

8. The *ad valorem* tax on personal use personalty is more often avoided by taxpayers than the *ad valorem* tax on business use personalty.

- a. True
- b. False

ANSWER: True

9. An excise tax is often used to try to influence behavior.

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- a. True
- b. False

ANSWER: True

10. There is a Federal excise tax on hotel occupancy.

- a. True
- b. False

ANSWER: False

11. The Federal gas-guzzler tax applies only to automobiles manufactured overseas and imported into the United States.

- a. True
- b. False

ANSWER: False

12. The amount of the state excise taxes on gasoline varies from state to state.

- a. True
- b. False

ANSWER: True

13. Not all of the states that impose a general sales tax also have a use tax.

- a. True
- b. False

ANSWER: False

14. Sales made over the internet are not exempt from the application of a general sales (or use) tax.

- a. True
- b. False

ANSWER: True

15. Two persons who live in the same state but in different counties may not be subject to the same general sales tax rate.

- a. True
- b. False

ANSWER: True

16. States impose either a state income tax *or* a general sales tax, but not both types of taxes.

- a. True
- b. False

ANSWER: False

17. A safe and easy way for a taxpayer to avoid local and state sales taxes is to make the purchase in a state that levies no such taxes.

- a. True
- b. False

ANSWER: False

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18. On transfers by death, the Federal government relies on an estate tax, while states may impose an estate tax, an inheritance tax, both taxes, or neither tax.

- a. True
- b. False

ANSWER: True

19. An inheritance tax is a tax on a decedent's right to pass property at death.

- a. True
- b. False

ANSWER: False

20. One of the major reasons for the enactment of the Federal estate tax was to prevent large amounts of wealth from being accumulated within a family unit.

- a. True
- b. False

ANSWER: True

21. Under Clint's will, all of his property passes to either the Lutheran Church or to his spouse. No Federal estate tax will be due on Clint's death.

- a. True
- b. False

ANSWER: True

22. Under the usual state inheritance tax, two heirs, a cousin and a son of the deceased, would not be taxed at the same rate.

- a. True
- b. False

ANSWER: True

23. The annual exclusion, currently \$18,000, is available for gift and estate tax purposes.

- a. True
- b. False

ANSWER: False

24. In 2024, José, a widower, sells land (fair market value of \$100,000) to his daughter, Linda, for \$50,000. José has not made a taxable gift.

- a. True
- b. False

ANSWER: False

25. Julius, a married taxpayer, makes gifts to each of his six children. A maximum of twelve annual exclusions could be allowed as to these gifts.

- a. True
- b. False

ANSWER: True

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26. One of the motivations for making a gift is to save on income taxes.

- a. True
- b. False

ANSWER: True

27. The formula for the Federal income tax on corporations is the same as that applicable to individuals.

- a. True
- b. False

ANSWER: False

28. A state income tax *can* be imposed on *nonresident* taxpayers who earn income within the state on an itinerant basis.

- a. True
- b. False

ANSWER: True

29. For state income tax purposes, some states allow a credit for dependents rather than a deduction.

- a. True
- b. False

ANSWER: True

30. Some states use their state income tax return as a means of collecting unpaid use tax.

- a. True
- b. False

ANSWER: True

31. No state may offer an income tax amnesty program more than once.

- a. True
- b. False

ANSWER: False

32. For Federal income tax purposes, there never has been a general amnesty period.

- a. True
- b. False

ANSWER: True

33. Under state amnesty programs, all delinquent and unpaid income taxes are forgiven.

- a. True
- b. False

ANSWER: False

34. When a state decouples from a Federal tax provision, it means that this provision will *not* apply for state income tax purposes.

- a. True
- b. False

ANSWER: True

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35. The principal objective of the FUTA tax is to provide some measure of retirement security.

- a. True
- b. False

ANSWER: False

36. Currently, the tax base for the Social Security component of the FICA is *not* limited to a dollar amount.

- a. True
- b. False

ANSWER: False

37. A parent employs her twin daughters, age 17, in her sole proprietorship. The daughters are *not* subject to FICA coverage.

- a. True
- b. False

ANSWER: True

38. Unlike FICA, FUTA requires that employers comply with state as well as Federal rules.

- a. True
- b. False

ANSWER: True

39. A major advantage of a flat tax type of income tax is its simplicity.

- a. True
- b. False

ANSWER: True

40. The objective of *pay-as-you-go* (*paygo*) is to improve administrative feasibility.

- a. True
- b. False

ANSWER: True

41. When Congress enacts a tax cut that is phased in over a period of years, revenue neutrality is achieved.

- a. True
- b. False

ANSWER: False

42. A tax cut enacted by Congress that contains a *sunset provision* will make the tax cut temporary.

- a. True
- b. False

ANSWER: True

43. The tax law provides various tax credits, deductions, and exclusions that are designed to encourage taxpayers to obtain additional education. These provisions can be justified on both economic and equity grounds.

- a. True

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b. False

ANSWER: False

44. Various tax provisions encourage the creation of certain types of retirement plans. Such provisions can be justified on both economic and social grounds.

a. True

b. False

ANSWER: True

45. To lessen or eliminate the effect of multiple taxation, a taxpayer who is subject to both foreign and U.S. income taxes on the same income is allowed either a deduction or a credit for the foreign tax paid.

a. True

b. False

ANSWER: True

46. To mitigate the effect of the annual accounting period concept, the tax law permits the carryforward of excess charitable contributions of a particular year to other years.

a. True

b. False

ANSWER: True

47. Jason's business warehouse is destroyed by fire. Because the insurance proceeds exceed the basis of the property, a gain results. If Jason shortly reinvests the proceeds in a new warehouse, no gain is recognized due to the application of the wherewithal to pay concept.

a. True

b. False

ANSWER: True

48. Because it is consistent with the wherewithal to pay concept, the tax law requires a seller to recognize a gain in the year the installment sale occurs.

a. True

b. False

ANSWER: False

49. Stealth taxes have the effect of generating additional taxes from all taxpayers.

a. True

b. False

ANSWER: False

50. A provision in the law that compels accrual basis taxpayers to pay a tax on prepaid income in the year received and *not* when earned is consistent with generally accepted accounting principles.

a. True

b. False

ANSWER: False

51. As a matter of administrative convenience, the IRS would prefer to have Congress decrease (rather than increase) the

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amount of the standard deduction allowed to individual taxpayers.

- a. True
- b. False

ANSWER: False

52. In cases of doubt, courts have held that tax relief provisions should be broadly construed in favor of taxpayers.

- a. True
- b. False

ANSWER: False

53. On occasion, Congress has to enact legislation that clarifies the tax law in order to change a result reached by the U.S. Supreme Court.

- a. True
- b. False

ANSWER: True

54. Ultimately, most taxes are paid by individuals.

- a. True
- b. False

ANSWER: True

55. Tomas owns a sole proprietorship, and Lucy is the sole shareholder of a C corporation. In the current year, both businesses make a net profit of \$60,000. Neither business distributes any funds to the owners in the year. For the current year, Tomas must report \$60,000 of income on his individual tax return, but Lucy is not required to report any income from the corporation on her individual tax return.

- a. True
- b. False

ANSWER: True

56. Carol and Candace are equal partners in Peach Partnership. In the current year, Peach had a net profit of \$75,000 (\$250,000 gross income – \$175,000 operating expenses) and distributed \$25,000 to each partner. Peach must pay tax on \$75,000 of income.

- a. True
- b. False

ANSWER: False

57. Rajib is the sole shareholder of Cardinal Corporation, a calendar year S corporation. In the current year, Cardinal generated a net profit of \$350,000 (\$520,000 gross income – \$170,000 operating expenses) and distributed \$80,000 to Rajib. Rajib must report the Cardinal Corporation profit of \$350,000 on his Federal income tax return.

- a. True
- b. False

ANSWER: True

58. Donald owns a 45% interest in a partnership that earned \$130,000 in the current year. He also owns 45% of the stock in a C corporation that earned \$130,000 during the year. Donald received \$20,000 in distributions from each of the two entities during the year. With respect to this information, Donald must report \$78,500 of income on his individual income

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tax return for the year.

- a. True
- b. False

ANSWER: True

59. Quail Corporation is a C corporation that generates net income of \$125,000 during the current year. If Quail paid dividends of \$25,000 to its shareholders, the corporation must pay tax on \$100,000 of net income. Shareholders must report the \$25,000 of dividends as income.

- a. True
- b. False

ANSWER: False

60. Eagle Company, a partnership, had a short-term capital loss of \$10,000 during the current year. Aaron, who owns 25% of Eagle, will report \$2,500 of Eagle's short-term capital loss on his individual tax return.

- a. True
- b. False

ANSWER: True

61. Matt, the sole shareholder of Pastel Corporation (a C corporation), has the corporation pay him a salary of \$600,000 in the current year. The Tax Court has held that \$200,000 represents unreasonable compensation. Matt must report a salary of \$400,000 and a dividend of \$200,000 on his individual tax return.

- a. True
- b. False

ANSWER: True

Multiple Choice

62. Which, if any, is *not* one of Adam Smith's canons (principles) of taxation?

- a. Economy in collection
- b. Certainty
- c. Convenience of payment
- d. Simplicity

ANSWER: d

63. Which, if any, of the following taxes are *regressive* (rather than *progressive*)?

- a. State general sales tax
- b. Federal individual income tax
- c. Federal estate tax
- d. Federal gift tax

ANSWER: a

64. Which, if any, of the following transactions will *increase* a taxing jurisdiction's revenue from the *ad valorem* tax imposed on real estate?

- a. A resident dies and leaves his farm to his church.
- b. A large property owner issues a conservation easement as to some of her land.

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- c. A tax holiday issued 10 years ago has expired.
- d. A bankrupt motel is acquired by the Red Cross and is to be used to provide housing for homeless persons.
- e. None of these choices are correct.

ANSWER: c

65. Which, if any, of the following transactions will *decrease* a taxing jurisdiction's *ad valorem* tax revenue imposed on real estate?

- a. A tax holiday is granted to an out-of-state business that is searching for a new factory site.
- b. An abandoned church is converted to a restaurant.
- c. A public school is razed and turned into a city park.
- d. A local university sells a dormitory that will be converted for use as an apartment building.

ANSWER: a

66. Which, if any, of the following is a typical characteristic of an *ad valorem* tax on personalty?

- a. Taxpayer compliance is greater for personal use property than for business use property.
- b. The tax on automobiles sometimes considers the age of the vehicle.
- c. Most states impose a tax on intangibles.
- d. The tax on intangibles generates considerable revenue as it is difficult for taxpayers to avoid.

ANSWER: b

67. Federal excise taxes that are *no longer imposed* include:

- a. Tax on air travel.
- b. Tax on wagering.
- c. Tax on alcohol.
- d. None of these choices are correct.

ANSWER: d

68. Taxes *not imposed* by the Federal government include:

- a. Tobacco excise tax.
- b. Customs duties (tariffs on imports).
- c. Tax on rental cars.
- d. Gas guzzler tax.

ANSWER: c

69. Taxes levied by *all* states include:

- a. Tobacco excise tax.
- b. Individual income tax.
- c. Inheritance tax.
- d. General sales tax.

ANSWER: a

70. A use tax is imposed by:

- a. The Federal government and all states.
- b. The Federal government and a majority of the states.

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- c. All states but not the Federal government.
- d. Most of the states but not the Federal government.

ANSWER: d

71. Gabriele and Lisa are married and live in a common law state. They want to make gifts to their four children in 2024. What is the maximum amount of the annual exclusion they will be allowed for these gifts?

- a. \$18,000.
- b. \$36,000.
- c. \$72,000.
- d. \$144,000.

ANSWER: d

72. Property can be transferred within the family group by gift or at death. One motivation for preferring the gift approach is:

- a. To take advantage of the higher unified transfer tax credit available under the gift tax.
- b. To avoid a future decline in value of the property transferred.
- c. To take advantage of the per donee annual exclusion.
- d. To shift income to higher bracket donees.

ANSWER: c

73. Indicate which, if any, statement is *incorrect*. State income taxes:

- a. Can piggyback to the Federal version.
- b. Cannot apply to visiting nonresidents.
- c. Can decouple from the Federal version.
- d. Can provide occasional amnesty programs.

ANSWER: b

74. State income taxes *generally* can be characterized by:

- a. The same date for filing as the Federal income tax.
- b. No provision for withholding procedures.
- c. Allowance of a deduction for Federal income taxes paid.
- d. Applying only to individuals but not to corporations.

ANSWER: a

75. A characteristic of FICA tax is that:

- a. It does not apply when one spouse works for the other spouse.
- b. It is imposed only on the employer.
- c. It provides a modest source of income in the event of loss of employment.
- d. None of these choices are correct.

ANSWER: d

76. A characteristic of FUTA is that:

- a. It is imposed on both employer and employee.
- b. It is imposed solely on the employee.

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- c. Compliance requires following guidelines issued by both state and Federal regulatory authorities.
- d. It is applicable to spouses of employees but *not* to any children under age 18.

ANSWER: c

77. The United States (either Federal, state, or local) *does not* impose:

- a. Franchise taxes.
- b. Severance taxes.
- c. Custom duties.
- d. Export duties.

ANSWER: d

78. Both economic and social considerations can be used to justify:

- a. Favorable tax treatment for accident and health plans provided for employees and financed by employers.
- b. Disallowance of any deduction for expenditures deemed to be contrary to public policy (e.g., fines, penalties, illegal kickbacks, bribes to government officials).
- c. Various tax credits, deductions, and exclusions that are designed to encourage taxpayers to obtain additional education.
- d. Allowance of a deduction for state and local income taxes paid.

ANSWER: c

79. Social considerations can be used to justify:

- a. Allowance of a credit for child care expenses.
- b. Allowing excess capital losses to be carried over to other years.
- c. Allowing accelerated amortization for the cost of installing pollution control facilities.
- d. Allowing a Federal income tax deduction for state and local sales taxes.

ANSWER: a

80. Allowing a tax credit for certain solar energy property can be justified:

- a. As helping small businesses.
- b. As promoting administrative feasibility.
- c. As promoting a government policy to use alternative energy sources.
- d. Based on the wherewithal to pay concept.

ANSWER: c

81. Provisions in the tax law that promote energy conservation and more use of alternative (nonfossil) fuels can be justified by:

- a. Political considerations.
- b. Economic and social considerations.
- c. Promoting administrative feasibility.
- d. Encouragement of small business.

ANSWER: b

82. Which, if any, of the following provisions *cannot* be justified as mitigating the effect of the annual accounting period concept?

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- a. Nonrecognition of gain allowed for involuntary conversions.
- b. Net operating loss carryover provisions.
- c. Use of the installment method to recognize gain.
- d. Carryover of excess capital losses.

ANSWER: a

83. Which, if any, of the following provisions of the tax law *cannot* be justified as promoting administrative feasibility (simplifying the task of the IRS)?

- a. Penalties are imposed for failure to file a return or pay a tax on time.
- b. Annual adjustments for indexation increases the amount of the standard deduction allowed.
- c. Personal casualty losses in Federally declared disaster areas must exceed 10% of AGI to be deductible.
- d. A deduction is allowed for charitable contributions.

ANSWER: d

84. A landlord leases property upon which the tenant makes improvements. The improvements are significant and are not made in lieu of rent. At the end of the lease, the value of the improvements are not income to the landlord. This rule is an example of:

- a. A clear reflection of income result.
- b. The tax benefit rule.
- c. The arm's length concept.
- d. The wherewithal to pay concept.

ANSWER: d

85. Before proposing that the state's sales tax be expanded to include food, a legislator should ask whether:

- a. The state tax agency will allow this expansion.
- b. A majority of his constituents agree.
- c. Grocery stores will be able to collect the tax.
- d. The state's constitution allows for this tax.

ANSWER: d

86. Two years ago, State Y enacted a new income tax credit for college prep materials. The credit is available to individuals and is equal to 40% of the cost of the items. The credit may not exceed \$50 in any year. State Y's director of finance has discovered this year that the amount of credit claimed is far higher than expected. Which principle of good tax policy might not have been considered in designing this tax that caused the original cost estimate to be too low?

- a. Equity.
- b. Simplicity.
- c. Economy in collection.
- d. Minimum tax gap.

ANSWER: d

87. A rationale for the installment sale method tax rule is:

- a. Ability to pay.
- b. Equity and fairness.
- c. Simplicity.

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d. Revenue neutrality.

ANSWER: a

88. Luis is the sole shareholder of a regular C corporation, and Eduardo owns a proprietorship. In the current year, both businesses make a profit of \$80,000, and each owner withdraws \$50,000 from his business. With respect to this information, which of the following statements is incorrect?

- a. Eduardo must report \$80,000 of income on his return.
- b. Luis must report \$80,000 of income on his return.
- c. Eduardo's proprietorship is not required to pay its own income tax, separate from Eduardo, on its \$80,000 of income.
- d. Luis's corporation must pay income tax on \$80,000.

ANSWER: b

Matching

Using the following choices, show the justification for each provision of the tax law listed.

- a. Economic considerations
- b. Social considerations
- c. Equity considerations
- d. Both a. and b.

89. A tax credit for amounts spent to furnish care for children while the parent is at work.

ANSWER: b

90. Additional depreciation deduction allowed for the year the asset is acquired.

ANSWER: a

91. Tax brackets are increased for inflation.

ANSWER: c

92. A small business corporation can elect to avoid the corporate income tax.

ANSWER: a

93. A deduction for contributions by an employee to certain retirement plans.

ANSWER: d

94. A deduction for qualified tuition paid to obtain higher education.

ANSWER: d

95. A deduction for certain expenses (interest and taxes) incident to home ownership.

ANSWER: d

96. A Federal deduction for state and local income taxes paid.

ANSWER: c

97. A deduction for interest on student loans.

ANSWER: d

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98. A bribe to the local sheriff, although business related, is not deductible.

ANSWER: b

99. Contributions to charitable organizations are deductible.

ANSWER: b

100. A Federal deduction for state and local sales taxes paid.

ANSWER: c

101. Tax credits available for the purchase of a vehicle that uses alternative (nonfossil) fuels.

ANSWER: a

102. Tax credits for home improvements that conserve energy.

ANSWER: a

103. More rapid expensing for tax purposes of the costs of installing pollution control devices.

ANSWER: a

Subjective Short Answer

104. Taylor, a widow, makes cash gifts to her five married children (including their spouses) and to her seven grandchildren. What is the maximum amount Taylor can give for calendar year 2024 without using her unified transfer tax credit?

ANSWER: \$306,000 [$\$18,000$ (annual exclusion) $\times$ 17 donees].

105. Paige is the sole shareholder of Citron Corporation. During the year, she leases a building to Citron for a monthly rental of \$80,000. If the fair rental value of the building is \$60,000, what are the income tax consequences to the parties involved?

ANSWER: The rent charged by Paige is not “arms length”; as such, Citron Corporation’s rent deduction is \$60,000 (not \$80,000). The \$20,000 difference is a nondeductible dividend distribution. For Paige, the change merely requires reclassification. Instead of \$80,000 of rent income, she has \$60,000 of rent income and \$20,000 of dividend income.

106. In 1993, Martina leased real estate to Drab Corporation for 20 years. Drab Corporation made significant capital improvements to the property. In 2012, Drab decided not to renew the lease and vacated the property. At that time, the value of the improvements was \$800,000. Martina sells the real estate in 2024 for \$1,200,000 of which \$900,000 is attributable to the improvements. When is Martina taxed on the improvements made by Drab Corporation?

ANSWER: Martina is not subject to taxation on the improvements until she disposes of the property (i.e., 2024). After a controversial Supreme Court decision years ago, Congress clarified the tax law to make it more consistent with the wherewithal to pay concept.

107. In 1992, Martina leased real estate to Drab Corporation for 20 years. Drab Corporation made significant capital improvements to the property. In 2011, Drab decided not to renew the lease and vacated the property. At that time, the value of the improvements was \$800,000. Martina sells the real estate in 2023 for \$1,200,000 of which \$900,000 is attributable to the improvements. When is Martina taxed on the improvements made by Drab Corporation?

ANSWER: Martina is not subject to taxation on the improvements until she disposes of the property (i.e., 2023). After a controversial Supreme Court decision years ago, Congress clarified the tax law to make it more consistent with the wherewithal to pay concept.

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Essay

108. Due to population change, Goose Creek School District has decided to close one of its high schools. Since it has no further need of the property, the school is listed for sale. The two bids it receives are as follows:

United Methodist Church	\$1,700,000
Planet Motors	1,600,000

The United Methodist Church would use the property to establish a sectarian middle school. Planet, a well-known car dealership, would revamp the property and operate it as a branch location.

If you were a member of the School District board, what factors would you consider in evaluating the two bids?

ANSWER: Although the bid from the United Methodist Church is higher, several other factors need to be considered. Does, for example, Goose Creek School District exempt property owned by churches from its *ad valorem* taxes? If so, losing this property from the tax base could prove very costly over the long run. Also, it is probable that income-producing property (such as a car dealership) would be taxed at a higher rate than that owned by a nonprofit organization (a school operated by a church). This assumes, of course, that the school would be taxed at all. The auto dealership also would generate sales tax.

109. Morgan inherits her father's personal residence including all of the furnishings. She plans to add a swimming pool and sauna to the property and rent it as a furnished house. What are some of the *ad valorem* property tax issues Morgan can anticipate?

ANSWER: The real estate taxes probably will increase for several reasons. The capital improvements and the conversion from residential to rental will trigger the increase. Furthermore, the furnishings may generate an *ad valorem* tax on personalty. (Depending on applicable law, furniture might not be subject to tax unless used for business purposes—such as in this case.)

110. In 2022, Deborah became 65 years old. In 2023 she added a swimming pool and in 2024 she converted the residence to rental property and moved into an assisted living facility. Since 2021, Deborah's *ad valorem* property taxes have decreased once and increased twice. Explain.

ANSWER: The decrease probably came in 2022 when Deborah reached age 65. The increases probably occurred in 2023 when she added the pool and in 2024 when the residence was converted to rental property with the property reassessed due to the change in use and/or removal of the homestead exemption.

111. A lack of compliance in the payment of use taxes can be resolved by several means. In this regard, comment on the following:

- a. Registration of automobiles.
- b. Reporting of Internet purchases on state income tax returns.

ANSWER:

- a. As reflected in Example 5, re-registration of a car purchased out of state is the occasion for the owner's home state to collect the use tax.
- b. Completing the state income tax return reminds (or forces) the taxpayer to pay use tax on out of state purchases.

112. What are the pros and cons of the following state and local tax provisions?

- a. An *ad valorem* property tax holiday made available to a manufacturing plant that is relocating.
- b. Hotel occupancy tax and a rental car surcharge.
- c. A back-to-school sales tax holiday.

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- ANSWER:* Such a holiday is designed to attract new industry to the area. This will bring
- more jobs and growth in consumption. On the other hand, if the tax holiday is too generous, this places a strain on available public revenue. The result could be that schools and capital maintenance (roads, public services) will suffer.
 - The hotel occupancy tax and car rental surcharges are popular because they mainly impact visitors. Also, they can generate considerable revenue to finance major capital improvements. If these taxes become excessive, however, they could discourage major events (such as conventions).
 - Such holidays are popular with both merchants and consumers and serve the social need of defraying some of the costs of sending children to school. Once established, however, they are difficult to get rid of. Thus, they become an annual drain on sales tax revenue.
- In addition, since they are available to buyers at all income levels, they provide tax savings to taxpayers who do not need them and who might obtain greater tax breaks than others, as they have more funds to spend on the tax free items.

113. What is a severance tax? How productive can it be in terms of generating revenue?

ANSWER: A severance tax is one imposed when natural resources (e.g., oil, gas, iron ore, coal) are extracted. It is based on the notion that the state has an interest in such resources. For some states, the revenue from severance taxes can be significant. Alaska, for example, relies heavily on its severance taxes and has been able to avoid both a state income tax and a general sales tax.

114. What is the difference between an inheritance tax and an estate tax? Who imposes these taxes?

ANSWER: An inheritance tax is a tax on the right to receive property from a decedent. An estate tax is imposed on the right to pass property at death. The Federal government imposes estate taxes and states impose inheritance taxes. Some states impose both, whereas others impose neither.

115. Antonio dies with an estate worth \$20 million. Under his will, \$10 million passes to his spouse and \$10 million goes to his church. What is Antonio's Federal estate tax result?

ANSWER: None. After a marital deduction of \$10 million and a charitable deduction of \$10 million, Antonio's taxable estate is \$0.

116. What might cause an individual to owe income taxes in more than one state?

ANSWER: Working in more than one state or owning income-generating property in more than one state can cause this.

117. Virtually all state income tax returns contain checkoff boxes for donations to various causes. On what grounds has this procedure been criticized?

ANSWER: In many cases, the procedure is overused (i.e., a multiplicity of boxes). This overuse adds complexity to the return. Also, in most cases, the donation is being drawn from any income tax refund that might be due. Thus, taxpayers may not fully appreciate that they are paying for such checkoffs.

118. State and local governments are sometimes forced to find ways to generate additional revenue. Comment on the pros and cons of the following procedures:

Chapter 01: Introduction to Taxation

- a. Decouple what would be part of the piggyback format of the state income tax.
- b. Tax amnesty provisions.
- c. Internet shaming.

ANSWER:

- a. The decoupling process is easily accomplished regarding new Federal tax changes that have never taken effect at the state level. Taxpayers are not apt to miss what they never have enjoyed.
- b. Tax amnesty provisions generate considerable revenue. It also unmasks many taxpayers who have not previously paid taxes. Now that the taxing jurisdiction is aware of their existence, they will tend to pay taxes in the future.
- c. By use of a public internet site, the taxing authority posts the names of those taxpayers that are delinquent as to various taxes (e.g., sales, income). This public humiliation (or threat of) very often results in compliance.

119. Briana lives in one state and works in the adjoining state. Both states tax the income she earns from her job. Does Briana have any relief from this apparent double taxation of the same income?

ANSWER: Most states allow their residents some form of tax credit for the income taxes paid to other states. In Briana's case, the credit would be allowed by the state where she lives for the taxes paid to the state where she works.

120. In terms of revenue neutrality, comment on a tax cut enacted by Congress that:

- a. Contains revenue offsets.
- b. Includes a sunset provision.

ANSWER:

- a. Ideally, to achieve revenue neutrality, all tax cuts should be accompanied by revenue offsets.
- b. A sunset provision does not account for the immediate revenue losses generated by a tax cut. It merely provides that such losses will not continue beyond a specified date when the tax cut expires and the former tax law is reinstated.

121. The tax law contains various tax credits, deductions, and exclusions that are designed to encourage taxpayers to obtain additional education. On what grounds can these provisions be justified?

ANSWER: Social and economic considerations are the justification. As to the latter, a better educated workforce carries a positive economic impact.

122. The tax law contains various provisions that encourage home ownership.

- a. On what basis can this objective be justified?
- b. Are there any negative considerations? Explain.

ANSWER:

- a. Home ownership can be justified on economic and social grounds.
- b. Granting tax advantages to persons who are purchasing their homes places the taxpayers who rent at a disadvantage. The result is inequality in treatment.

123. The tax law allows an income tax deduction (or a credit) for foreign income taxes. Explain why.

ANSWER: The deduction (or a credit) for foreign income taxes can be justified on the grounds that it mitigates the double tax imposed on the same income.

124. The tax law allows, under certain conditions, deferral of gain recognition for involuntary conversions.

Chapter 01: Introduction to Taxation

- a. What is the justification for this relief measure?
- b. What happens if the proceeds are not entirely reinvested?

ANSWER:

- a. By recognizing that the taxpayer's relative economic situation has not changed and that they lack the wherewithal to pay a tax, any recognition of realized gain is deferred.
- b. If the proceeds from an involuntary conversion are not fully reinvested in property that is similar or related in service or use, recognized gain results. Such recognized gain cannot exceed realized gain and will be limited to the amount of the proceeds not reinvested. Recognition is based on the notion that the taxpayer now has the wherewithal to pay the tax that results.

125. How do the net operating loss provisions in the tax law mitigate the effect of the annual accounting concept?

ANSWER: Without the allowance of a loss carryforward, the losses would disappear. As shown by Example 27, this result places a business with profit and loss fluctuations on a more level playing field with one that maintains a stable income pattern.

126. In connection with facilitating the function of the IRS in the administration of the tax laws, comment on the utility of the following:

- a. An increase in the amount of the standard deduction.
- b. Dollar and percentage limitations on the deduction of personal casualty losses in Federally declared disaster areas.
- c. Availability of interest and penalties for taxpayer noncompliance.

ANSWER:

- a. An increase in the amount of the standard deduction reduces the number of taxpayers who choose to itemize their personal deductions. This, in turn, reduces the deductions the IRS has to check.
- b. Limitations placed on casualty and theft losses curtail the number of taxpayers who can claim the deduction.
- c. The imposition of extra penalties, in addition to the tax owed, definitely deters taxpayer noncompliance.

127. Ultimately, most taxes are paid by individuals. Explain what this means in terms of income and payroll taxes paid by a corporation.

ANSWER: A corporation pays many types of taxes, but like any other expenditure, some of these taxes are ultimately paid by an individual. Income taxes are included in the price the corporation charges for goods and services. Or all or part might result in reduced earnings affecting investors or through reduced wages affecting employees. The payroll taxes paid by the corporate employer are likely borne by workers in the form of lower wages. That is, if the employer did not have to pay the taxes, it could pay higher wages to employees. These taxes might also be borne by customers and investors.

128. Compare the basic tax and nontax factors of doing business as a partnership, an S corporation, and a C corporation. Circle the correct answers.

Tax Questions	Column A Partnership	Column B S Corporation	Column C C Corporation
Who pays tax on the entity's income?	Partners Partnership	Shareholders S corporation	Shareholders C Corporation
Are operating losses	Yes	Yes	Yes

Chapter 01: Introduction to Taxation

passed through to owners?	No	No	No
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Are capital gains			
(losses) reported on			
owners' tax returns as	Yes	Yes	Yes
such?	No	No	No

Are distributions of profits taxable to owners?	Yes	Yes	Yes
	No	No	No

Nontax Factors	Partnership	S Corporation	C Corporation
Is the liability of owners limited?	Yes No	Yes No	Yes No
Is there free transferability of ownership interests?	Yes No	Yes No	Yes No

ANSWER: The correct answers are shaded.

Tax Questions	Column A Partnership	Column B S Corporation	Column C C Corporation
Who pays tax on the entity's income?	Partners Partnership	Shareholders S corporation	Shareholders C Corporation
Are operating losses passed through to owners?	Yes No	Yes No	Yes No
Are capital gains (losses) reported on owners' tax returns as such?	Yes No	Yes No	Yes No
Are distributions of profits taxable to owners?	Yes No	Yes No	Yes No
Nontax Factors	Partnership	S Corporation	C Corporation
Is the liability of owners limited?	Yes No	Yes No	Yes No
Is there free transferability of ownership interests?	Yes No	Yes No	Yes No

Chapter 01: Introduction to Taxation

129. Sofia is the sole shareholder of Thrush Corporation, a C corporation. In the current year, Thrush earned \$350,000 and distributed \$75,000 to Sofia. Kirk is the sole shareholder of Swallow Corporation, an S corporation. In the current year, Swallow earned \$350,000 and distributed \$75,000 to Kirk. Contrast the tax treatment of Thrush Corporation and Sofia with the tax treatment of Swallow Corporation and Kirk.

ANSWER: A C corporation is a separate taxable entity; thus, Thrush Corporation is taxed on the \$350,000 of earnings. Income of a C corporation has no effect on the shareholders until such time a dividend is paid. When dividends are paid, shareholders must report dividend income on their tax returns. Thus, Sofia is taxed on \$75,000 of dividends, and the 0%/15%/20% preferential tax rate applies with respect to the dividends.

Generally, an S corporation is not subject to an entity-level Federal income tax. Instead, the corporation's income, gains, deductions, and losses are passed through to and reported by the shareholders on their tax returns. Thus, Swallow reports the \$350,000 of earnings on its tax return (Form 1120S) but pays no income tax. Kirk is taxed on the \$350,000 of earnings from Swallow on his individual income tax return (Form 1040). Distributions from S corporations are not taxable to the shareholder (to the extent of stock basis). Thus, Kirk is not taxed on the \$75,000 distribution from Swallow.

Management, 16e (Robbins)

Chapter 1 Managers and You in the Workplace

1) In today's workplace, _____.

- A) women are more likely than men to be promoted into management
- B) many employees perform work that in the past was considered managerial activities
- C) women tend to be more effective supervisors than men
- D) most organizations have eliminated the title of manager

Answer: B

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

2) Because this is her first job, Melanie was unclear about what managers actually do.

Fortunately her training materials explained that a manager's job focuses on _____.

- A) performing clerical duties
- B) personal achievement
- C) helping others accomplish their work goals
- D) supervising groups rather than individual employees

Answer: C

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

3) An individual who works with and through other people by coordinating their work activities in order to accomplish organizational goals is _____.

- A) an assembly line worker
- B) a laborer
- C) a manager
- D) a salesperson

Answer: C

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

4) An organizational structure that does away with traditional management roles and distributes decision making throughout the organization by empowering teams to manage themselves is called a _____.

- A) frontline management system
- B) holacracy
- C) management pyramid
- D) bureaucratic structure

Answer: B

Diff: 1

AACSB: Application of knowledge

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

5) Frontline managers are also known as _____.

- A) regional managers
- B) team leaders
- C) division managers
- D) store executives

Answer: B

Diff: 1

AACSB: Application of knowledge

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

6) First-line managers are typically those who _____.

- A) are also considered middle managers
- B) are involved with producing the organization's products or providing its service
- C) are at the top of the organizational chart
- D) are the first persons new hires meet

Answer: B

Diff: 2

AACSB: Application of knowledge

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Analytical

7) Supervisor is another name for _____.

- A) store manager
- B) middle manager
- C) first-line manager
- D) top manager

Answer: C

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

8) A _____ is an example of a first line manager.

- A) division manager
- B) store executive
- C) regional manager
- D) shift manager

Answer: D

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

9) Kelly, a production supervisor, is responsible for ten employees who assemble components into a finished product. Kelly is a _____.

- A) top manager
- B) nonmanagerial employee
- C) middle manager
- D) first-line manager

Answer: D

Diff: 1

AACSB: Analytical thinking; Application of knowledge

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

10) Managers with titles such as regional manager or division manager are _____.

- A) first-line managers
- B) top managers
- C) production managers
- D) middle managers

Answer: D

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

11) Ben, a production plant manager, reports to Dan, a regional manager. Ben and Dan are _____.

- A) top managers
- B) middle managers
- C) supervisors
- D) first-line managers

Answer: B

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

12) _____ are responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization.

- A) Middle managers
- B) Top managers
- C) Production managers
- D) Research managers

Answer: B

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

13) Tom is responsible for project managers who supervise others who perform manual work. He reports to a vice president on another continent. Tom is a _____.

- A) first-line manager
- B) middle manager
- C) top manager
- D) non-managerial employee

Answer: B

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

14) _____ have titles such as executive vice president, chief operating officer, and chief executive officer.

- A) Supervisors
- B) Middle managers
- C) First-line managers
- D) Top managers

Answer: D

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

15) Kenneth is a vice president of operations. His position would be regarded as a _____.

- A) top manager
- B) supervisor
- C) middle manager
- D) first-line manager

Answer: A

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

16) Blue Fin and ChrisCraft, two boat manufacturers, have merged. Top managers now must decide how the work will be divided and who will do what work in the merged firm. The pre-merger firms, and the merged firm, are each examples of _____.

A) strategic partnerships

B) coalitions

C) organizations

D) affinity groups

Answer: C

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Application

17) Many traditional nonmanagerial jobs now include managerial activities, and many organizations no longer have formal managers.

Answer: TRUE

Diff: 1

AACSB: Diverse and multicultural work environments

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

18) A manager must coordinate and oversee the work of other people so that organizational goals can be accomplished.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

19) A manager's job is all about personal achievement.

Answer: FALSE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

20) In traditionally structured organizations, managers can be classified as first-line managers, middle managers, or top managers.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

21) Middle managers are responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

22) Explain briefly how the definition of a manager has changed over time.

Answer: Managers used to be defined as the organizational members who told others what to do and how to do it. In the past, it was easy to differentiate managers from nonmanagerial employees. Non-managerial employees were organizational members who worked directly on a job or task and had no one reporting to them. Managers were those who supervised other employees.

Today, the changing nature of organizations and work has blurred the distinction between managers and nonmanagerial employees. Many traditional nonmanagerial jobs now include managerial activities. Most employees are multi-skilled and are being cross trained. Within a single shift, an employee can be a team leader, equipment operator, maintenance technician, quality inspector, or improvement planner.

Diff: 3

AACSB: Written and oral communication

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

23) Describe and provide examples of first-line, middle, and top managers.

Answer:

a. First-line managers are the lowest level of management and manage the work of nonmanagerial individuals who are directly involved with the production or creation of the organization's products or servicing its customers. First-line managers are often called supervisors or even shift managers, district managers, department managers, or office managers.

b. Middle managers are found between the lowest and top levels of the organization. These managers manage the work of first-line managers and may have titles such as department head, project leader, store manager, or division manager.

c. Top managers are responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization. These individuals typically have titles such as executive vice president, president, managing director, chief operating officer, or chief executive officer.

Diff: 3

AACSB: Written and oral communication

Learning Obj.: LO 1.1: Describe who managers are and where they work.

Classification: Concept

24) Which of the following is NOT one of the three reasons managers are important?

- A) Organizations need their managerial skills and abilities.
- B) Managers are critical to getting things done.
- C) Managers provide a sense of accomplishment for the firm.
- D) Managers make a difference in an organization's performance.

Answer: C

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.2: Explain why managers are important to organizations.

Classification: Concept

25) The Gallup Organization has determined through polling thousands of managers and employees that the single most important determinant of employee success is _____.

- A) compensation
- B) the employee's gender and overall attitude
- C) the employee's interaction with their manager
- D) the employee's ability to compartmentalize their work and family

Answer: C

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.2: Explain why managers are important to organizations.

Classification: Concept

26) A great manager can inspire employees both professionally and personally.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.2: Explain why managers are important to organizations.

Classification: Concept

27) Managers play an important role in dealing with various challenges being faced by organizations today.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.2: Explain why managers are important to organizations.

Classification: Concept

28) The abilities and actions of managers have an indirect and limited impact on an organization's performance.

Answer: FALSE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.2: Explain why managers are important to organizations.

Classification: Concept

29) Identify and discuss three reasons managers are still important even in the changing organizational structures in use today.

Answer:

- a. The first reason why managers are important is because *organizations need their managerial skills and abilities* more than ever in uncertain, complex, and chaotic times. As organizations deal with today's challenges—changing workforce dynamics, the worldwide economic climate, changing technology, ever-increasing globalization, and so forth—managers play an important role in identifying critical issues and crafting responses.
- b. Another reason why managers are important to organizations is because *they're critical to getting things done*. They create and coordinate the workplace environment and work systems so that others can perform those tasks. Or, if work isn't getting done or isn't getting done as it should be, they're the ones who find out why and get things back on track. And these managers are key players in leading the company into the future.
- c. Finally, *managers do matter* to organizations. The single most important variable in employee productivity and loyalty isn't pay or benefits or workplace environment—it's the quality of the relationship between employees and their direct supervisors. The way a company manages and engages its people can significantly affect its financial performance. Leadership is the single largest influence on employee engagement. Managerial ability is important in creating organizational value.

Diff: 3

AACSB: Written and oral communication

Learning Obj.: LO 1.2: Explain why managers are important to organizations.

Classification: Concept

30) Ng figured out a way to increase his factory's output while using the same number of workers. This is an example of _____.

- A) increased efficiency
- B) increased effectiveness
- C) better time management
- D) planning

Answer: A

Diff: 2

AACSB: Application of knowledge

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

31) Technology makes it easier to stay focused on activities that help the organization achieve its goals. This is an example of _____.

- A) efficiency
- B) effectiveness
- C) time management
- D) planning

Answer: B

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Critical thinking

32) Andrew is reviewing next week's orders, scheduling orders to machines, and assigning employees to run those machines. Andrew is engaged in _____.

- A) planning
- B) organizing
- C) leading
- D) controlling

Answer: A

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

33) Donald's ability to complete activities efficiently and effectively with and through other people is known as _____.

- A) management
- B) leadership
- C) entrepreneurship
- D) delegation

Answer: A

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

34) _____ involves ensuring that work activities are completed efficiently and effectively by the people responsible for doing them.

- A) Leading
- B) Managing
- C) Planning
- D) Organizing

Answer: B

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

35) Which one of the following is an example of an efficient manufacturing technique?

- A) Reducing the amount of scrap created in the process of making a product.
- B) Increasing the amount of time to manufacture products.
- C) Increasing product reject rates.
- D) Meeting customers' rigorous demands.

Answer: A

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

36) Wasting resources is considered to be an example of _____.

- A) reduced effectiveness
- B) unsustainable activities
- C) inefficiency
- D) managerial slack

Answer: C

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

37) An automobile manufacturer increased the total number of cars produced while keeping the production costs the same. The manufacturer increased its _____.

- A) equity
- B) efficiency
- C) effectiveness
- D) effort

Answer: B

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

38) Ellen's ability to produce the same amount of product with fewer personnel is a reflection of her _____.

- A) effectiveness
- B) organizing skills
- C) leadership
- D) efficiency

Answer: D

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

39) Effectiveness is associated with _____.

- A) reducing inventory
- B) decreasing production time
- C) doing the right things
- D) doing things right

Answer: C

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

40) Whereas _____ is concerned with the means of getting things done, _____ is concerned with the ends, or attainment of organizational goals.

- A) effectiveness; efficiency
- B) efficiency; effectiveness
- C) effort; efficiency
- D) efficiency; experience

Answer: B

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

41) The fact that Eileen achieves her departmental goals is an indication of her _____ as a manager.

- A) leadership
- B) effectiveness
- C) efficiency
- D) attention to detail

Answer: B

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

42) If your team quickly painted the wall but discovered afterward it was the wrong wall, your team would be _____.

- A) efficient but ineffective
- B) efficient and effective
- C) effective but inefficient
- D) neither effective nor efficient

Answer: A

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

43) If Fiona accomplishes her projects with high-quality results, but takes more time than other managers in the process, as a manager she is _____.

- A) efficient, but ineffective
- B) a leader, but not a top manager
- C) project-oriented, but not effective
- D) effective, but inefficient

Answer: D

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

44) More than a hundred years ago, Henri Fayol proposed that managers performed five functions. They were _____.

- A) planning, organizing, directing, evaluating, and controlling
- B) organizing, directing, coordinating, evaluating, and controlling
- C) planning, organizing, directing, coordinating, and controlling
- D) planning, organizing, commanding, coordinating, and controlling

Answer: D

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

45) Today, the basic management functions include _____.

- A) planning, organizing, commanding, and coordinating
- B) planning, organizing, coordinating, and controlling
- C) planning, organizing, directing, and controlling
- D) planning, organizing, leading, and controlling

Answer: D

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

46) Establishing strategies for achieving organizational goals is a part of the _____ function.

- A) leading
- B) coordinating
- C) planning
- D) organizing

Answer: C

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

47) When Gavin decides the number of units his employees should produce, he is performing which of the following management functions?

- A) Controlling
- B) Leading
- C) Planning
- D) Organizing

Answer: C

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

48) Organizing includes _____.

- A) setting organizational goals
- B) hiring organizational members
- C) motivating organizational members
- D) determining who does what tasks

Answer: D

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

49) The human resources manager is meeting with the production manager to write job descriptions and to decide how to group jobs for a new production line. These two are engaged in _____.

- A) planning
- B) organizing
- C) leading
- D) controlling

Answer: B

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

50) Two of Brent's subordinates have not been getting along, a situation that has now interfered with their productivity. When Brent meets with them to resolve the conflict, he is engaged in _____.

- A) planning
- B) organizing
- C) leading
- D) controlling

Answer: C

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

51) Motivating subordinates is primarily associated with the management function of _____.

- A) planning
- B) organizing
- C) leading
- D) directing

Answer: C

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

52) The _____ roles involve collecting, receiving, and disseminating information, according to Mintzberg's managerial roles.

- A) interpersonal
- B) informational
- C) technical
- D) decisional

Answer: B

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

53) When Fred tells the employees that he is sure they can fulfill the schedule because they are good and skilled employees, he is performing which of the following management functions?

- A) Controlling
- B) Leading
- C) Negotiating
- D) Delegating

Answer: B

Diff: 3

AACSB: Analytical thinking; Application of knowledge

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

54) When Brandi is sharing with her team members the information she received at this morning's production meeting, she is performing the Mintzberg role of _____.

- A) liaison
- B) monitor
- C) entrepreneur
- D) disseminator

Answer: D

Diff: 3

AACSB: Application of knowledge; Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

55) The process of monitoring, comparing, and correcting is called _____.

- A) controlling
- B) planning
- C) leading
- D) evaluating

Answer: A

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

56) When Joe checks the amount of output that the employees have completed and the number of units that have been rejected, which of the following management functions is being performed?

- A) Controlling
- B) Leading
- C) Organizing
- D) Monitoring

Answer: A

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

57) _____ developed a categorization scheme for defining what managers do, consisting of ten different but highly interrelated roles.

- A) Henri Fayol
- B) Abraham Maslow
- C) Henry Mintzberg
- D) Peter Drucker

Answer: C

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

58) According to Mintzberg's managerial roles, the _____ roles are ones that involve people and other duties that are ceremonial and symbolic in nature.

- A) informational
- B) interpersonal
- C) technical
- D) decisional

Answer: B

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

59) When the mayor officiates at the ribbon-cutting ceremony for the new bridge, the mayor is performing one of Mintzberg's _____ roles.

- A) interpersonal
- B) informational
- C) decisional
- D) organizing

Answer: A

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

60) The _____ role (as Mintzberg defined it) is more important for lower-level managers than it is for either middle- or top-level managers.

- A) leader
- B) figurehead
- C) negotiator
- D) disseminator

Answer: A

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

61) Mark is vice president of finance. At his level of management, he is more likely to use the role of _____ than _____.

- A) leader; disseminator
- B) spokesperson; negotiator
- C) figurehead; liaison
- D) disseminator; leader

Answer: D

Diff: 3

AACSB: Application of knowledge

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Critical thinking

62) Connie has an idea for a new product she would like to produce and market. Mintzberg would consider the activities necessary to form and launch her company to be part of the _____ role.

- A) figurehead
- B) resource allocator
- C) negotiator
- D) entrepreneur

Answer: D

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Application

63) Effectiveness refers to getting the most output from the least amount of input.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

64) Efficiency is described as "doing things right."

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

65) Determining who reports to whom is part of the planning function of management.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

66) Directing and motivating are part of the organizing function of management.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

67) The four contemporary functions of management are planning, organizing, commanding, and controlling.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

68) As part of Dave's controlling function of management, he must monitor and evaluate performance.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

69) According to Mintzberg, the leader role is more important for higher-level managers because they have responsibility for more of the organization.

Answer: FALSE

Diff: 2

AACSB: Interpersonal relations and teamwork

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

70) Figurehead, leader, and liaison are all informational managerial roles according to Mintzberg.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

71) Disturbance handler is one of Mintzberg's interpersonal roles.

Answer: FALSE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

72) Briefly discuss the difference between efficiency and effectiveness.

Answer:

a. Efficiency refers to getting the most output from the least amount of inputs. Because managers deal with scarce inputs-including resources such as people, money, and equipment-they are concerned with the efficient use of resources. It's often referred to as "doing things right"-that is, not wasting resources. For instance, efficient manufacturing techniques can be implemented by doing things such as cutting inventory levels, decreasing the amount of time to manufacture products, and lowering product reject rates.

b. Effectiveness is often described as "doing the right things"-that is, doing those work activities that will help the organization reach its goals. For instance, goals can include meeting customers' rigorous demands, executing world-class manufacturing strategies, and making employee jobs easier and safer. Through various work initiatives, these goals can be pursued and achieved.

Whereas efficiency is concerned with the means of getting things done, effectiveness is concerned with the ends, or attainment of organizational goals.

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

73) List and explain the four basic functions of management.

Answer: The four basic functions of management are: (a) Planning, (b) Organizing, (c) Leading, and (d) Controlling.

a. When managers engage in planning, they set goals, establish strategies for achieving those goals, and develop plans to integrate and coordinate activities.

b. When managers organize, they determine what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

c. When managers engage in leading, they motivate subordinates, help resolve work group conflicts, influence individuals or teams as they work, select the most effective communication channel, or deal in any way with employee behavior issues.

d. When managers control, they ensure that goals are being met and that work is being done as it should be. They monitor and evaluate performance. They compare actual performance with the set goals. If those goals aren't being achieved, it's the manager's job to get work back on track. This process of monitoring, comparing, and correcting is the controlling function.

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

74) List the ten managerial roles developed by Mintzberg.

Answer: Mintzberg described ten managerial roles grouped around interpersonal relationships, the transfer of information, and decision making.

A. The interpersonal roles are ones that involve people (subordinates and persons outside the organization) and other duties that are ceremonial and symbolic in nature. The three interpersonal roles include:

a. figurehead

b. leader

c. liaison

B. The informational roles involve collecting, receiving, and disseminating information. The three informational roles include:

a. monitor

b. disseminator

c. spokesperson

C. Finally, the decisional roles entail making decisions or choices. The four decisional roles include:

a. entrepreneur

b. disturbance handler

c. resource allocator

d. negotiator

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.3: List the functions and roles of managers.

Classification: Concept

75) One examples of a new technology or technological driven process that is NOT changing the way managers work is _____.

- A) digital transformation
- B) artificial intelligence
- C) gig economy
- D) digital gaming

Answer: D

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

76) The process of rethinking how to use technology, people, and processes to accomplish the organization's work is known as _____.

- A) artificial intelligence
- B) machine learning
- C) the gig economy
- D) digital transformation

Answer: D

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

77) Jaun designs websites for his side hustle. His design business is part of _____.

- A) employee well-being
- B) the gig economy
- C) artificial intelligence
- D) the digital transformation

Answer: B

Diff: 3

AACSB: Application of knowledge

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Application

78) Firm XYZ is using a software system to monitor and evaluate employee performance. This is an application of _____.

- A) employee well-being
- B) the gig economy
- C) artificial intelligence
- D) the digital transformation

Answer: C

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

79) Today's manager must deal with a host of new challenges that include _____.

- A) how to manage remote work
- B) greater political uncertainty
- C) staffing and employee issues
- D) increasing production efficiency

Answer: A

Diff: 3

AACSB: Application of knowledge

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Application

80) One of the most difficult aspects of the increasing use of technology in the workplace has been to make employees feel good about artificial intelligence.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Critical thinking

81) The COVID-19 pandemic increased the speed of transformation to remote work.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

82) Firms that compete in non-technology markets, such as retailers, need not concern themselves with artificial intelligence applications.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

83) Workers of today like remote work and hybrid work since it makes it easier to balance life and work.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

84) Many experts believe the gig economy is a passing fad.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Critical thinking

85) Now and into the future, managers will need to focus more on employee well-being.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

86) Briefly explain how the COVID-19 pandemic changed the way we work.

Answer: One of the most significant outcomes of the COVID-19 pandemic has been the growth of remote and hybrid working. **Remote work** is the practice of accomplishing work tasks away from the company's worksite; **hybrid work** is the practice of working remotely part of the time and on-site part of the time. Although remote and hybrid working options have existed for a long time, not all organizations embraced them. During the global lockdown at the start of the pandemic, however, many organizations quickly adapted to remote work by necessity. But as the need to work remotely diminished, workers continued to demand remote work options because they found the flexibility improved their overall work-life balance.

Diff: 3

AACSB: Written and oral communication

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

87) What is the gig economy?

Answer: Technology has also impacted companies' use of temporary or contract workers.

Contract workers are not company employees; rather, they work for a company on an as-needed basis. The evolution of apps such as Door Dash and Uber have transformed the contract labor market, allowing workers to generate income via a *side hustle* or create a full-time job by bringing together different *gig* work arrangements. This evolution is often referred to as the **gig economy** because it describes a new labor market of workers doing freelance type work.

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Concept

88) Why is it important for managers to focus on employee well-being?

Answer: A Gallup study in 2022 found that 70 percent of workers reported their boss as a source of stress that affected their engagement with work. This makes the manager's role is important in reducing employees' stress since there is strong evidence that employees that are less stressed are more productive.

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.4: Describe the factors that are reshaping and redefining the manager's job.

Classification: Synthesis

89) Technical skills include _____.

A) experience gained by experiments that are used in performing managerial tasks

B) job-specific knowledge needed to proficiently perform work tasks

C) the ability to work well with individuals and groups

D) skills managers use to think and to conceptualize about abstract and complex situations

Answer: B

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

90) One of Calvin's employees is having problems with a production machine, so Calvin helps him troubleshoot the problem. Calvin is using his _____ skills.

A) negotiator

B) technical

C) interpersonal

D) conceptual

Answer: B

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

91) _____ skills tend to be more important for first-line managers since they manage employees who produce the organization's product or service the organization's customers.

A) Human

B) Technical

C) Conceptual

D) Empirical

Answer: B

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

92) When Paula assists the employees who produce the product she is using her _____.

- A) conceptual skills
- B) disseminator skills
- C) technical skills
- D) interpersonal skills

Answer: C

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

93) Understanding machine operating instructions would be considered a(n) _____ skill for a production manager.

- A) interpersonal
- B) technical
- C) conceptual
- D) empirical

Answer: B

Diff: 2

AACSB: Analytical thinking; Application of knowledge

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

94) _____ skills involve the ability to work well with other people, both individually and in a group.

- A) Technical
- B) Assessment
- C) Planning
- D) Interpersonal

Answer: D

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

95) When Michael meets with the human resources manager to discuss a complaint filed by one of the employees in the production department, he requires which of the following managerial skills?

- A) Conceptual skills
- B) Interpersonal skills
- C) Negotiator skills
- D) Disturbance handler skills

Answer: B

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

96) When Sam Walton visited his Walmart stores, he would often lead the employees in cheers and give inspiring speeches. Sam knew the importance of _____ skills.

- A) decisional
- B) technical
- C) interpersonal
- D) conceptual

Answer: C

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

97) Ralph's search for new technologies that can be used in the production processes of his plant is an example of which type of management skill?

- A) Conceptual
- B) Communication
- C) Effectiveness
- D) Monitor

Answer: A

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

98) Which one of the following is true concerning the three managerial skills?

- A) Technical skills tend to be most important for middle-level managers.
- B) Conceptual skills are most important for lower-level managers.
- C) Interpersonal skills remain equally important to all levels of management.
- D) Technical skills increase, and conceptual skills decrease in importance, as a manager climbs the organizational chart.

Answer: C

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

99) Because Sterling is a shift manager, _____.

- A) his technical skills are of the utmost priority
- B) his conceptual skills are of the utmost priority
- C) his interpersonal skills are not important
- D) he need not have any empirical skills

Answer: A

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

100) Terry has recently been promoted from shift manager to department manager. As a result, _____.

- A) her empirical skills are going to be most important
- B) the importance of her technical skills is reduced
- C) her conceptual skills are going to take the priority
- D) the importance of her interpersonal skills is reduced

Answer: B

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

101) The CEO of MindWerks must understand the industry in which his business competes, the future of that industry, and the competition. This requires strong _____ skills.

- A) technical
- B) interpersonal
- C) conceptual
- D) controlling

Answer: C

Diff: 3

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

102) Bethany is the president of her organization. Therefore, _____.

- A) she should be very sound in her technical skills
- B) she can manage with limited financial skills
- C) conceptual skills are the most important skills that Bethany requires
- D) her interpersonal skills are not important

Answer: C

Diff: 2

AACSB: Analytical thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Application

103) Managers with good _____ skills know how to communicate, motivate and lead to get the best out of their people.

- A) interpersonal
- B) conceptual
- C) technical
- D) empirical

Answer: A

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

104) Conceptual skills involve _____.

- A) managing employees who use tools to produce the organization's products
- B) communicating with customers
- C) thinking about abstract and complex situations
- D) inspiring enthusiasm and trust among employees

Answer: C

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

105) Conceptual skills are less important to top managers.

Answer: FALSE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

106) According to Robert L. Katz, managers need to have technical, interpersonal, and conceptual skills.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

107) Technical skills become less important as a manager moves into higher levels of management.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

108) Describe the three main types of managerial skills identified by Robert Katz. Which skills are most important to each level of management, and why?

Answer: Robert L. Katz proposed that managers need three critical skills in managing: technical, interpersonal, and conceptual.

a. Technical skills are the job-specific knowledge and techniques needed to proficiently perform work tasks. These skills tend to be more important for first-line managers because they typically manage employees who use tools and techniques to produce the organization's products or service the organization's customers. Often, employees with excellent technical skills get promoted to first-line manager.

b. Human skills involve the ability to work well with other people, both individually and in a group. Because all managers deal with people, these skills are equally important to all levels of management. Managers with good interpersonal skills get the best out of their people. They know how to communicate, motivate, lead, and inspire enthusiasm and trust.

c. Conceptual skills are the skills managers use to think and to conceptualize about abstract and complex situations. Using these skills, managers see the organization as a whole, understand the relationships among various subunits, and visualize how the organization fits into its broader environment. These skills are most important to top managers.

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.5: Identify career options in management and skills that lead to career success.

Classification: Concept

109) Management is needed in all types and sizes of organizations, at all organizational levels and in all organizational work areas, and in all organizations, no matter where they are located.

This principle is known as the _____.

A) impartiality of management

B) neutrality of management

C) universality of management

D) reality of management

Answer: C

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

110) Which of the following is NOT one of the ways you use to deal with organizational politics?

A) Be visible.

B) Make yourself appear indispensable.

C) Support your boss.

D) Ignore all office politics.

Answer: D

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

111) What makes an organization political?

- A) Operating with limited resources.
- B) Receiving recognition.
- C) Motivating workers in chaotic situations.
- D) Performing duties that are more clerical than managerial.

Answer: A

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

112) The universality of management means that _____.

- A) all managers in all organizations perform the four management functions
- B) all managers in all organizations perform the same quantity of managerial functions
- C) all managers in all organizations perform managerial functions in similar ways
- D) any manager can work in any organization and perform any management function

Answer: A

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

113) Effectively dealing with organizational politics helps you _____.

- A) develop powerful allies
- B) get promoted despite qualifications
- C) find ways to work less
- D) get better performance evaluations

Answer: A

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

114) Management is universally needed in all organizations.

Answer: TRUE

Diff: 1

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

115) Research shows that the quality of management has little impact on the success of the business.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

116) Why does the reality of work make studying management valuable?

Answer: We will all either manage others or be managed. For those who plan to be managers, an understanding of management forms the foundation upon which to build your management knowledge and skills. For those of you who don't see yourself managing, you're still likely to have to work with managers. Experience suggests that you can gain a great deal of insight into the way your boss (and fellow employees) behave and how organizations function by studying management.

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept

117) What is universality of management? Why is it important?

Answer: Management is needed in all types and sizes of organizations, at all organizational levels and in all organizational work areas, and in all organizations, no matter where they're located. This is known as the universality of management. In all organizations, managers must plan, organize, lead, and control. Management is universally needed in all organizations. So it is necessary to find ways to improve the way organizations are managed. Organizations that are well-managed develop a loyal customer base, grow, and prosper, even during challenging times. Those that are poorly managed find themselves losing customers and revenues. By studying management and its universality, an individual will be able to recognize poor management and work to get it corrected.

Diff: 3

AACSB: Reflective thinking

Learning Obj.: LO 1.6: Explain the value of studying management.

Classification: Concept