

Strategic Management, 15e, Global Edition (David/David)
Chapter 9 Strategy Implementation

1) An area on a perceptual map where there is a cluster of ideal points indicates a market segment.

Answer: TRUE

Diff: 1

Objective: 9.02 Develop effective perceptual maps to identify market segments and demand voids.

Learning Outcome: Discuss best practices for strategy implementation

2) Strategy implementation affects top and middle managers but not lower-level employees.

Answer: FALSE

Diff: 1

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

3) An example of a marketing decision is whether or not to limit the share of business done with a single customer.

Answer: TRUE

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

4) Editorial content and advertising content are increasingly being mixed on blogs.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

5) Market penetration can be defined as the subdividing of a market into distinct subsets of customers according to needs and buying habits.

Answer: FALSE

Diff: 1

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

6) There are five component variables in the marketing mix: product, place, promotion, price, and people.

Answer: FALSE

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

7) With market segmentation, a firm can better operate with limited resources.

Answer: TRUE

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

8) The most common bases for segmenting markets are geographic and demographic.

Answer: TRUE

Diff: 1

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

9) Segmentation often reveals that large, random fluctuations in demand actually consist of several small, predictable, and manageable patterns.

Answer: TRUE

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

10) Segmenting industrial markets is generally simpler and easier than segmenting consumer markets.

Answer: FALSE

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

11) The most dramatic new market-segmentation strategy is the targeting of regional tastes.

Answer: TRUE

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

12) After segmenting markets so a firm can target particular customer groups, the next step is to find out what customer groups want and expect.

Answer: TRUE

Diff: 2

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

13) In general, the Internet makes market segmentation easier.

Answer: TRUE

Diff: 1

AACSB: Information technology

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

14) Multidimensional scaling involves examining three or more criteria simultaneously in a product-positioning analysis.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

15) A firm can usually serve two or more market segments with the same strategy.

Answer: FALSE

Diff: 2

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

16) It is okay for firms to create expectations that exceed the service the firm can or will offer if it will attract customers.

Answer: FALSE

Diff: 2

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

17) Return on assets is the most widely used technique for determining whether debt, stock, or a combination of debt and stock is the best alternative for raising capital to implement strategies.

Answer: FALSE

Diff: 3

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

18) Besides net profit from operations and the sale of assets, two basic sources of funds for an ongoing enterprise are debt and equity.

Answer: TRUE

Diff: 3

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

19) In low earning periods, too much debt in the capital structure of an organization can endanger stockholders' returns and jeopardize company survival.

Answer: TRUE

Diff: 2

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

20) Additional capital is often required for successful strategy implementation.

Answer: TRUE

Diff: 1

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

21) An EPS/EBIT chart can be constructed to determine the break-even point, where one financing alternative becomes more attractive than another.

Answer: TRUE

Diff: 2

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

22) A reason for concern over the dilution of company stock is a possible hostile takeover.

Answer: TRUE

Diff: 2

AACSB: Reflective thinking

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

23) When additional stock is issued to finance implementation of strategy, ownership and control of the enterprise are strengthened.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

24) Stock issuances are always better than debt for raising capital.

Answer: FALSE

Diff: 2

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

25) A projected financial analysis can be used to forecast the impact of various implementation decisions.

Answer: TRUE

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

26) When performing projected financial analysis, the balance sheet should be prepared before the income statement.

Answer: FALSE

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

27) The percentage-of-sales method should be used for projecting the cost of goods sold and the expense items in the income statements.

Answer: TRUE

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

28) The cash account is used as the plug figure in projected balance sheets.

Answer: TRUE

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

29) The Sarbanes-Oxley Act has eliminated the problem of firms inflating their financial projections, so stakeholders need not worry about the financial projections of different companies.

Answer: FALSE

Diff: 2

AACSB: Ethical understanding and reasoning

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

30) A financial budget is a document that details how funds will be obtained and spent for a specified period of time.

Answer: TRUE

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

31) Limiting an organization's expenditures is the primary purpose of financial budgets.

Answer: FALSE

Diff: 1

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

32) The most common type of financial budget is the capital budget.

Answer: FALSE

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

33) Although cash budgets can be a useful financial tool, publicly held companies are not required to complete them.

Answer: FALSE

Diff: 3

AACSB: Ethical understanding and reasoning

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

34) A limitation of financial budgets is that they can hide inefficiencies if based solely on precedent rather than on periodic evaluation of circumstances and standards.

Answer: TRUE

Diff: 3

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

35) All the methods for determining a business' worth can be grouped into three basic approaches: what a firm earns, what a firm spends, and what a firm will bring in the market.

Answer: FALSE

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

36) A conservative rule of thumb for measuring the value of a firm is to establish a business' worth to be 10 times the firm's most current annual profit.

Answer: FALSE

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

37) One of the four recommended approaches for determining a firm's worth is to base the analysis on the selling price of a similar company.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

38) To determine the price-earnings ratio, divide the market price of the firm's annual earnings per share by the common stock and multiply this number by the firm's average net income for the past 10 years.

Answer: FALSE

Diff: 3

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

39) As a balance sheet entry, goodwill represents the favor a business has acquired through its environmentally conscious and socially responsible actions.

Answer: FALSE

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

40) The only reasons businesses have for determining their worth is preparing to be sold or to buy other companies.

Answer: FALSE

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

41) It is generally not recommended for companies with less than \$10 million in sales to go public.

Answer: TRUE

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

42) The only costs involved in going public are the initial costs.

Answer: FALSE

Diff: 1

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

43) Buying off the outstanding shares of your company from the open market to make the company private is what going public means.

Answer: FALSE

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

44) If the rate of market growth and technical progress is rapid and there are few barriers to possible new entrants, then in-house R&D is the preferred solution.

Answer: FALSE

Diff: 3

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

45) According to research, the most successful new product companies use a research and development strategy that ties internal strengths to external opportunities and is linked with objectives.

Answer: TRUE

Diff: 2

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

46) R&D policies can enhance strategy implementation efforts to emphasize product or process improvements.

Answer: TRUE

Diff: 2

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

47) A major effort in R&D may be very risky if technology is changing rapidly and the market is growing slowly.

Answer: TRUE

Diff: 2

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

48) One R&D strategy is to be an innovative imitator of successful products.

Answer: TRUE

Diff: 1

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

49) A current trend in R&D management involves the lifting of the veil of secrecy whereby firms, even major competitors, are joining forces to develop new products.

Answer: TRUE

Diff: 2

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

50) The process of strategic management is facilitated immensely in firms that have an effective information system.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 9.09 Explain how management information systems can determine the success of strategy-implementation efforts.

Learning Outcome: Discuss best practices for strategy implementation

51) Increased costs are a disadvantage of a good information system.

Answer: FALSE

Diff: 2

AACSB: Information technology

Objective: 9.09 Explain how management information systems can determine the success of strategy-implementation efforts.

Learning Outcome: Discuss best practices for strategy implementation

52) With information technology, in some cases it is possible to do away with the workplace by allowing employees to work at home or anywhere, anytime.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 9.09 Explain how management information systems can determine the success of strategy-implementation efforts.

Learning Outcome: Discuss best practices for strategy implementation

53) What percent of strategies formulated are successfully implemented?

A) Less than 10 percent

B) About 30 percent

C) Between 40 and 60 percent

D) Approximately 66 percent

E) More than 80 percent

Answer: A

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

54) What level of management is directly affected by strategy implementation?

A) Plant managers

B) Sales managers

C) Project managers

D) Division managers

E) All of the above

Answer: E

Diff: 1

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

55) All of the following are examples of marketing decisions that may require policies EXCEPT

A) to be a market leader or follower.

B) how to make advertisements more interactive to be more effective.

C) to offer a complete or limited warranty.

D) to use heavy, light, or no TV advertising.

E) to use exclusive dealerships or multiple channels of distribution.

Answer: A

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

56) Which two variables rank as marketing's most important contributions to strategic management?

- A) Diversification and budgeting.
- B) Marketing penetration and competition.
- C) Competition and collaboration.
- D) Product development and market development.
- E) Market segmentation and product positioning.

Answer: E

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

57) Subdividing a market into distinct subsets of customers according to their needs and buying habits is known as

- A) market penetration.
- B) product diversification.
- C) market segregation.
- D) market segmentation.
- E) positioning.

Answer: D

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

58) Why is market segmentation an important variable in strategy implementation?

- A) It allows a small firm to compete successfully with a large firm.
- B) It allows a firm to operate with limited resources.
- C) Mass production, mass distribution, and mass advertising are not always required.
- D) Market segmentation decisions directly affect marketing mix variables.
- E) All of the above

Answer: E

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

59) Which of the following variables is NOT directly affected by market segmentation?

- A) Product
- B) Place
- C) Process
- D) Promotion
- E) Price

Answer: C

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

60) Why is market segmentation an important variable in the strategy-implementation process?

- A) Company strategies do not require increased sales through new markets and products.
- B) It allows a firm to operate with no resources.
- C) It directly affects marketing mix variables.
- D) It allows a firm to minimize per-unit profits and per-segment sales.
- E) All of the above

Answer: C

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

61) Perhaps the most dramatic new market segmentation strategy is the

- A) targeting of regional tastes.
- B) focusing on universal product.
- C) preference of international over domestic sales.
- D) treatment of industrial markets.
- E) none of the above

Answer: A

Diff: 3

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

62) Matching which factors would allow factories to produce desirable levels without extra shifts, overtime, or subcontracting?

- A) Markets and competitors
- B) Competition and positioning
- C) Customer behavior and positioning
- D) Supply and demand
- E) Segments and competitors

Answer: D

Diff: 3

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

63) Which variable would be considered part of the "product" element of the marketing mix?

- A) Advertising
- B) Packaging
- C) Payment terms
- D) Inventory levels and location
- E) Publicity

Answer: B

Diff: 1

AACSB: Analytical Thinking

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

64) Which variable would be considered part of the "place" element of the marketing mix?

- A) Product line
- B) Service level
- C) Personal selling
- D) Sales territory
- E) Discounts and allowances

Answer: D

Diff: 1

AACSB: Analytical Thinking

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

65) What entails developing schematic representations that reflect how your products or services compare to competitors' on dimensions most important to success in the industry?

- A) Perceptual mapping
- B) Market segmentation
- C) Market penetration
- D) Unrelated diversification
- E) Capital budgeting

Answer: A

Diff: 2

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

66) Which is NOT a required step in perceptual mapping?

- A) Select key criteria that effectively differentiate products or services in the industry.
- B) Serve two segments with the same strategy.
- C) Plot major competitors' products or services in the resultant matrix.
- D) Identify areas in the positioning map where the company's products or services could be most competitive in the given target market.
- E) Develop a marketing plan to position the company's products and services appropriately.

Answer: B

Diff: 2

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

67) An area on a perceptual map without ideal points indicates a

- A) market segment.
- B) demand void.
- C) vacant niche.
- D) multidimensional scale.
- E) product reposition.

Answer: B

Diff: 2

AACSB: Reflective thinking

Objective: 9.02 Develop effective perceptual maps to identify market segments and demand voids.

Learning Outcome: Discuss best practices for strategy implementation

68) Multidimensional scaling is used to determine

- A) the size of a new building.
- B) the size of a new department.
- C) the amount of high-tech equipment a firm needs.
- D) perceptual mapping.
- E) market segmentation.

Answer: D

Diff: 3

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

69) Which of the following is true about two different market segments?

- A) They can usually be served with the same marketing strategy.
- B) They usually require different marketing strategies.
- C) They are always in different geographic locations.
- D) They are usually interchangeable.
- E) All of the above

Answer: B

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

70) Which of these is NOT a rule of thumb when using product positioning as a strategy-implementation tool?

- A) "The best opportunity might be an unserved segment."
- B) "Look for the hole or vacant niche."
- C) "Try to serve more than one segment with the same strategy."
- D) "Don't position yourself in the middle of the map."
- E) All of these are valid rules of thumb.

Answer: C

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

71) Which of the following is NOT given as an example of a decision that may require finance/accounting policies?

- A) To extend the time of accounts receivable
- B) To establish a certain percentage discount on accounts within a specified period of time
- C) To lease or buy fixed assets
- D) To use LIFO, FIFO, or a market-value accounting approach
- E) To be a price leader or a price follower

Answer: E

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

72) In low-earning periods, too much _____ in the capital structure of an organization can endanger stockholders' return and jeopardize company survival.

- A) debt
- B) liquidity
- C) equity
- D) cash
- E) tax liability

Answer: A

Diff: 3

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

73) Which of the following is NOT true regarding stock issuances?

- A) They are always better than debt for raising capital.
- B) Their effect on stock price is a concern.
- C) They can require a company to share future earnings with all new shareholders.
- D) Dilution of ownership is a special concern.
- E) All of the above statements are true.

Answer: A

Diff: 2

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

74) What is the most widely used technique for determining the best combination of debt and stock?

- A) Debt-to-stock ratio
- B) Earnings per share/earnings before interest and taxes analysis
- C) Gross profit analysis
- D) Capital asset pricing model
- E) Present value analysis

Answer: B

Diff: 2

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

75) After completing an EPS/EBIT analysis, what conclusions would you make if the debt line is above the stock line throughout the range of EBIT on the graph?

- A) Debt appears to be the best financing alternative.
- B) Stock would be the best financing alternative.
- C) A combination of debt and stock is probably the best financial alternative.
- D) Dividends must be considered before conclusions can be made.
- E) The company should be privately owned.

Answer: A

Diff: 3

AACSB: Analytical Thinking

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

76) What becomes a more attractive financing technique when cost of capital is high?

- A) Stock issuance
- B) Debt
- C) Cost cutting
- D) Borrowing
- E) Staying privately owned

Answer: A

Diff: 2

AACSB: Analytical Thinking

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

77) Which statement is NOT true?

- A) Having an effective management information system may be the most important factor in differentiating successful from unsuccessful firms.
- B) Like inventory and human resources, information is now recognized as a valuable organizational asset that can be controlled and managed.
- C) Computer vulnerability has been eradicated by recent innovations, and it is now possible to secure and safeguard all corporate communications, files, and business conducted over the Internet.
- D) In many firms, information technology is doing away with the workplace and allowing employees to work at home or anywhere, anytime.
- E) Improved quality and service often result from an improved management information system.

Answer: C

Diff: 2

AACSB: Information technology

Objective: 9.09 Explain how management information systems can determine the success of strategy-implementation efforts.

Learning Outcome: Discuss best practices for strategy implementation

78) A benefit of using projected balance sheets and income statements is that

- A) the impact of various implementation decisions can be forecasted.
- B) money can be put aside to pay future income taxes.
- C) insurance needs can be computed.
- D) it is useful in analyzing past performance.
- E) all of the above

Answer: A

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

79) Projected financial analysis is an important strategy-implementation technique because

- A) it is an exact measurement of financial costs in the future.
- B) it is an exact measurement of future company profits.
- C) it allows an organization to examine the expected results of various actions and approaches.
- D) insurance needs can be computed.
- E) none of the above

Answer: C

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

80) What is a central strategy-implementation technique that allows an organization to examine the expected results of various actions and approaches?

- A) EPS/EBIT
- B) Financial budgeting
- C) TOWS analysis
- D) Projected financial statement analysis
- E) External analysis

Answer: D

Diff: 3

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

81) The first step in performing projected financial analysis is to

- A) prepare the projected balance sheet.
- B) take an inventory of goods.
- C) estimate increases in debt.
- D) prepare the projected income statement.
- E) calculate the projected net income.

Answer: D

Diff: 1

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

82) In preparing projected statements, to project cost of goods sold and the expense items in the income statement, which of these methods is recommended?

- A) Determining the net worth method
- B) What a firm earns method
- C) Percentage-of-sales method
- D) Price-earnings ratio method
- E) Outstanding shares method

Answer: C

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

83) Which element in the projected income statement CANNOT be forecasted using the percentage-of-sales method?

- A) Cost of goods sold
- B) Selling expense
- C) Administrative expense
- D) Interest expense
- E) All of these items can be forecasted using the percentage-of-sales method.

Answer: D

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

- 84) Retained earnings is obtained by subtracting
- A) any dividends to be paid for that year from net income.
 - B) net income from EBIT.
 - C) taxes from EBIT.
 - D) interest expense from EBIT.
 - E) EBIT from CGS.

Answer: A

Diff: 1

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

- 85) In projected financial statements, what is used as a plug figure?

- A) Retained earnings
- B) Fixed assets
- C) The cash account
- D) Long-term liabilities
- E) Stockholders' equity

Answer: C

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

- 86) Which of these is the most common type of budgeting time frame?

- A) Daily
- B) Quarterly
- C) Annual
- D) Every decade
- E) Monthly

Answer: C

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

87) If a firm incurs a loss during a particular year, or if the firm had positive net income but paid out dividends more than the net income, what happens to the RE amount?

- A) It increases.
- B) It is unchanged.
- C) It decreases.
- D) It doubles.
- E) It cannot be determined from the information given.

Answer: C

Diff: 3

AACSB: Analytical Thinking

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

88) What is the most common type of financial budget?

- A) Cash
- B) Sales
- C) Profits
- D) Factory
- E) Flexible

Answer: A

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

89) Who has mandated that every publicly held company in the United States must issue an annual cash-flow statement in addition to the usual financial reports?

- A) SEC
- B) Congress
- C) FCC
- D) FASB
- E) OPEC

Answer: D

Diff: 1

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

90) How should financial budgets be thought of?

- A) As a tool for limiting expenditures
- B) As a method for obtaining the most productive and profitable use of an organization's resources
- C) As a method for rationing the profits from the past year
- D) As a method for determining who should receive the largest pay raise
- E) As a tool for forecasting future profits

Answer: B

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

91) What is a limitation of using financial budgets?

- A) They can be so detailed that they are cumbersome and expensive.
- B) They can become a substitute for objectives.
- C) They can hide inefficiencies if done only on precedent.
- D) They are sometimes used as instruments of tyranny.
- E) All of the above

Answer: E

Diff: 1

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

92) Which of the following is NOT an accepted approach for determining a business' worth?

- A) Determining what the firm owns
- B) Determining what the firm earns
- C) Determining what the firm's return on investment has been
- D) Determining what the firm will bring in the market
- E) All of the above are accepted approaches.

Answer: C

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

93) Which item is included in net worth?

- A) Retained earnings
- B) Common stock
- C) Additional paid-in-capital
- D) All of the above are included in net worth.
- E) None of the above are included in net worth.

Answer: D

Diff: 3

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

94) Which method of determining a firm's net worth divides the market price of the firm's stock by the annual earnings per share, and multiplies this number by the firm's average net income for the past five years?

- A) Debt/equity method
- B) Current ratio method
- C) Price-earnings ratio method
- D) Long-term asset method
- E) Outstanding shares method

Answer: C

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

95) Evaluating the worth of a firm

- A) is an exact science.
- B) requires both qualitative and quantitative skills.
- C) is based solely on financial facts.
- D) is known only to the firm's accountants.
- E) is static.

Answer: B

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

96) The Financial Accounting Standard Board (FASB) Rule 142 deals with

- A) illegal inflation of financial projections.
- B) hacking issues in MIS.
- C) goodwill.
- D) how firms conduct R&D.
- E) improving marketing policies.

Answer: C

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

97) In the context of a balance sheet, goodwill represents

- A) a premium paid over the book value of an acquisition.
- B) the value attached to a firm's reputation.
- C) the excess of assets over liabilities.
- D) the value associated with benefits from environmental programs.
- E) the excess of current assets over liabilities.

Answer: A

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

98) A conservative rule of thumb is to establish a business' worth as _____ the firm's current annual profit.

- A) twice
- B) three times
- C) five times
- D) ten times
- E) fifteen times

Answer: C

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

99) If an initial stock issuance is \$800,000, what would be the expected cost paid to lawyers, accountants, and underwriters, based on the average for IPOs in this range?

- A) \$20,000
- B) \$40,000
- C) \$80,000
- D) \$200,000
- E) \$400,000

Answer: D

Diff: 2

AACSB: Application of knowledge

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

100) R&D employees and managers perform all of the following tasks EXCEPT

- A) transferring complex technology.
- B) altering products to particular tastes and specifications.
- C) researching resource availability.
- D) adapting processes to local markets.
- E) adjusting processes to local raw materials.

Answer: C

Diff: 2

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

101) Business analytics

A) is retrospective rather than predictive.

B) enables a firm to learn from experience and to make current and future decisions based on prior information.

C) uses mathematical models that enhance decision making at only the topmost levels of management.

D) can enable a company to benefit from measuring risk, but it cannot enable the company to manage risk.

E) as an industry is experiencing a decline in revenue.

Answer: B

Diff: 2

Objective: 9.10 Explain business analytics and data mining.

Learning Outcome: Discuss best practices for strategy implementation

102) The attitude of U.S. firms toward research and development is best described by which of the following?

A) The veil of secrecy is being lifted, resulting in more collaboration.

B) Firms are more cutthroat than ever and less cooperative with each other.

C) Firms are less interested in working with universities.

D) Firms are feeling less competitive pressure.

E) Firms are less involved with research consortia than ever.

Answer: A

Diff: 2

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

103) Information collection, retrieval, and storage can be used to create competitive advantages in ways such as

A) cross-selling to customers.

B) monitoring suppliers.

C) keeping managers and employees informed.

D) coordinating activities among divisions.

E) all of the above

Answer: E

Diff: 1

AACSB: Information technology

Objective: 9.09 Explain how management information systems can determine the success of strategy-implementation efforts.

Learning Outcome: Discuss best practices for strategy implementation

104) Name five examples of marketing decisions that may require policies.

Answer: Student answers may vary. Possible answers include: 1) To use exclusive dealerships or multiple channels of distribution; 2) To use heavy, light, or no TV advertising; 3) To limit (or not) the share of business done with a single customer; 4) To be a price leader or a price follower; 5) To offer a complete or limited warranty; 6) To reward salespeople based on straight salary, straight commission, or a combination salary/commission; 7) How to make advertisements more interactive to be more effective; and 8) How to best take advantage of Facebook and Twitter conversations about the company and industry.

Diff: 2

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

105) Although there are many marketing variables that impact the success or failure of strategy-implementation efforts, two variables are central to the process. What are these variables?

Discuss why they are so important.

Answer: Two variables of central importance to strategy implementation are market segmentation and product positioning. Segmentation is important because it is a key to matching supply and demand, which is one of the thorniest problems in customer service. Segmentation often reveals that large, random fluctuations in demand actually consist of several small, predictable and manageable patterns. Product positioning is important because it is a severe mistake to assume the firm knows what customers want and expect. Many firms have become successful by filling the gap between what customers and producers see as good service. What the customer believes is good service is paramount, not what the producer believes service should be. Positioning entails developing schematic representations that reflect how a firm's products or services compare to competitors' on dimensions most important to success in the industry.

Diff: 2

AACSB: Analytical Thinking

Objective: 9.04 Explain market segmentation and product positioning as strategy-implementation tools.

Learning Outcome: Discuss best practices for strategy implementation

106) What are ideal points on perceptual maps? Explain their relation to market segments and demand voids.

Answer: Perceptual maps may display consumers' ideal points. These points reflect ideal combinations of the two dimensions as seen by a consumer. Each dot represents one respondent's ideal combination of the two dimensions. An area where there is a cluster of ideal points indicates a market segment. Areas without ideal points are sometimes referred to as demand voids. A company considering introducing a new product will look for areas with a high density of ideal points. They will also look for areas without competitive rivals (a vacant niche), perhaps best done by placing both the (1) ideal points and (2) competing products on the same map.

Diff: 1

Objective: 9.02 Develop effective perceptual maps to identify market segments and demand voids.

Learning Outcome: Discuss best practices for strategy implementation

107) What are the five steps required for perceptual mapping? Give an example of a perceptual map for an organization of your choice.

Answer: There are five steps required for effective perceptual mapping. These five steps are as follows: 1) select key criteria that effectively differentiate products or services in the industry; 2) diagram a two-dimensional product-positioning map with specified criteria on each axis; 3) plot major competitors' products or services in the resultant four-quadrant matrix; 4) identify areas in the positioning map where the company's products or services could be most competitive in the given target market and look for niches; and 5) develop a marketing plan to position the company's products or services appropriately.

Student examples of perceptual maps will vary.

Diff: 2

AACSB: Analytical Thinking

Objective: 9.01 Develop effective perceptual maps to position rival firms.

Learning Outcome: Discuss best practices for strategy implementation

108) Name five examples of finance and accounting decisions that may require policies.

Answer: Possible answers include: 1) To raise capital with short-term debt, long-term debt, preferred stock, or common stock; 2) To lease or buy fixed assets; 3) To determine an appropriate dividend payout ratio; 4) To use LIFO, FIFO, or a market-value accounting approach; 5) To extend the time of accounts receivable. 6) To establish a certain percentage discount on accounts within a specified period of time; 7) To determine the amount of cash that should be kept on hand.

Diff: 1

Objective: 9.07 Perform EPS-EBIT analysis to evaluate the attractiveness of debt versus stock as a source of capital to implement strategies.

Learning Outcome: Discuss best practices for strategy implementation

109) What is business analytics and why is it so important in businesses today?

Answer: Business analytics is an MIS technique that involves using software to mine huge volumes of data to help executives make decisions. Sometimes called predictive analytics, machine learning, or data mining, this software enables a researcher to assess and use the aggregate experience of an organization, a priceless strategic asset for a firm. The history of a firm's interaction with its customers, suppliers, distributors, employees, rival firms, and more can all be tapped with data mining to generate predictive models. Business analytics is similar to the actuarial methods used by insurance companies to rate customers by the chance of positive or negative outcomes. Therefore, like insurance companies, all businesses can benefit from measuring, tracking, and computing the risk associated with hundreds of strategic and tactical decisions made everyday. Business analytics enables a company to benefit from measuring and managing risk.

As more and more products become commoditized, competitive advantage more and more hinges on improvements to business processes. Business analytics can provide a firm with proprietary business intelligence regarding which segment(s) of customers choose your firm versus those who defer, delay, or defect to a competitor and why. Business analytics can reveal where competitors are weak so that marketing and sales activities can be directly targeted to take advantage of resultant opportunities (knowledge). In addition to understanding consumer behavior better, business analytics is also being used to slash expenses.

Diff: 2

AACSB: Information technology

Objective: 9.10 Explain business analytics and data mining.

Learning Outcome: Discuss best practices for strategy implementation

110) Explain how to perform a projected financial analysis.

Answer: The steps to performing a projected financial analysis are as follows: 1) prepare the projected income statement before the balance sheet and start by forecasting sales as accurately as possible; 2) use the percentage-of-sales method to project CGS and the expense items in the income statement; 3) calculate the projected net income; 4) subtract from the net income any dividends to be paid for that year and bring this retained earnings amount over to the balance sheet by adding it to the prior year's RE shown on the balance sheet; 5) project the balance sheet items, beginning with retained earnings and then forecasting stockholders' equity, long-term liabilities, current liabilities, total liabilities, total assets, fixed assets, and current assets—in that order; and 6) list comments on the projected statements.

Diff: 2

Objective: 9.06 Develop project financial statements to reveal the impact of strategy recommendations.

Learning Outcome: Discuss best practices for strategy implementation

111) Identify and describe three approaches for determining a business' worth.

Answer: Students should identify and describe three of the following approaches. The first approach is determining its net worth or stockholders' equity. After calculating net worth, add or subtract an appropriate amount for goodwill, overvalued or undervalued assets, and intangibles. The second approach grows out of the belief that the worth of any business should be based largely on the future benefits its owners may derive through net profits. A conservative rule of thumb is to establish a business' worth as five times the firm's current annual profit. The third approach is called the price-earnings ratio method. It divides the market price of the firm's common stock by the annual earnings per share and multiplies this number by the firm's average net income for the past five years. The fourth method can be called the outstanding shares method. To use this method, simply multiply the number of shares outstanding by the market price per share and add a premium. The premium is simply a per-share dollar amount that a person or firm is willing to pay to control the other company.

Diff: 2

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

112) Explain the important issues involved in deciding whether to go public, i.e., a private firm considering becoming a public firm. Include cost estimates, advantages and disadvantages.

Answer: Going public is not recommended for companies with less than \$10 million in sales, because the initial costs can be too high for the firm to generate sufficient cash flow to make going public worthwhile. The average total cost paid to lawyers, accountants, and underwriters when the initial issuance is under \$1 million is 25%. For issuances over \$20 million this amount drops to 5%. In addition to initial costs, there are costs and obligations associated with reporting and management in a publicly held firm. For firms with more than \$10 million in sales, going public can provide major advantages: It can allow the firm to raise capital to develop new products, build plants, expand, grow, and market products and services more effectively.

Diff: 2

AACSB: Analytical Thinking

Objective: 9.05 Discuss procedures for determining the worth of a business.

Learning Outcome: Discuss best practices for strategy implementation

113) Discuss guidelines used to determine whether a firm should conduct R&D internally or externally.

Answer: First, if the rate of technical progress is slow, the rate of market growth is moderate, and there are significant barriers to possible new entrants, then in-house R&D is the preferred solution. Second, if technology is changing rapidly, and the market is growing slowly, then a major in-house effort in R&D may be risky. Third, if technology is changing slowly but the market is growing quickly, there generally is not enough time for in-house development. Finally, if both technical progress and market growth are fast, R&D expertise should be obtained through acquisition of a well-established firm in the industry.

Diff: 2

Objective: 9.08 Discuss the nature and role of research and development in strategy implementation.

Learning Outcome: Discuss best practices for strategy implementation

114) Discuss some ways in which management information systems can benefit a company.

Answer: Having an effective management information system (MIS) may be the most important factor in differentiating successful from unsuccessful firms. Information collection, retrieval, and storage can be used to create competitive advantages in ways such as cross-selling to customers, monitoring suppliers, keeping managers and employees informed, coordinating activities among divisions, and managing funds. Like inventory and human resources, information is now recognized as a valuable organizational asset that can be controlled and managed. A good information system can allow a firm to reduce costs. Improved quality and service often result from an improved information system.

Diff: 2

AACSB: Information technology

Objective: 9.09 Explain how management information systems can determine the success of strategy-implementation efforts.

Learning Outcome: Discuss best practices for strategy implementation