Test Bank for Business Strategy Development Application CDN 3rd Bissonette

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Chapter 02
The Canadian Economic Environment

True / False Questions

1. Technological innovation is one of the key factors deemed critical to the success of the Canadian economy.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

2. Canada is a member of the G7/G8.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

3. China accounts for the most significant proportion of Canada's external trade.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

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4. Wheat, canola, and other agricultural-based products comprise one of the key product classes driving Canada's current trade performance.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

5. Trade with the United States comprises just over 50% of Canada's external trade volume.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

6. Trade with the United States comprises just over 50% of Canada's import volume.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

7. Canada's banking system is generally considered to be one of the most efficient in the world.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

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8. Foreign companies and investors have historically viewed Canada as a relatively risky place to do business.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

9. The debt-to-GDP ratio is a key indicator of fiscal stability.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

10. Under the basic principle of supply, as the price goes down, manufacturers and suppliers of a product tend to supply less of the product to the market.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

11. Demand refers to the quantity of a good that consumers are willing and able to buy at different prices at a specific time.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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12. Price is the key factor that determines both quantity supplied and quantity demanded.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

13. At the equilibrium price the quantity consumers desire to buy equals the quantity sellers desire to sell.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

14. If the quantity supplied in a market exceeds the quantity demanded, a shortage will exist.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

15. If we graph the supply and demand curves for a product at a specific time, the point on the graph where the two curves intersect is called the stress point.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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16. In the long run, the actual market price tends to adjust toward the equilibrium price.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

17. One of the drawbacks of open markets is the fact that competition in such markets undermines the ability of price to adjust to its equilibrium value in the long run.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

18. Allowance for private ownership, entrepreneurship, and wealth creation do not comprise one of the three fundamental market composition principles.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-06 Allowance for private ownership, entrepreneurship, and wealth creation

19. One of the many roles a government can play in an economy is that of a customer.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-07 Government involvement in influencing economic activity and direction

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20. Government involvement in the economy relates the varying roles government can play in day-to-day economic activities.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-07 Government involvement in influencing economic activity and direction

21. Like most nations, Canada has a controlled economy.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-08 Canada: A Mixed Economic System

22. In a mixed economy, the government's goal is to grow the economy and maintain some measure of social equality.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-08 Canada: A Mixed Economic System

23. Economic activity = expenditures - savings + investment + credit.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-09 The Economy in Simple Terms

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24. Excessive use of credit (debt) typically hinders economic growth because larger amounts of economic productivity must be used to repay the debt.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-09 The Economy in Simple Terms

25. The total value of a country's output of final goods and services in a given year is known as the nation's gross domestic product (GDP).
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

26. A recession is often defined as two or more quarters of negative GDP movement.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

27. According to the economic growth cycle, employment contractions typically produce real wage gains.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

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28. Economic expansion occurs when an economy is growing and people are spending more money.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

29. Inflation refers to a general rise in the prices of goods and services over time.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-11 Managing the Movement in the Economy

30. The standard of living rises because people have less money to spend.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-11 Managing the Movement in the Economy

31. The Bank of Canada and the Canadian government have expressed concerns associated with Canadians' rising levels of personal debt.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-13 Consumer debt

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32. Inflation has a positive impact on the confidence levels of both consumers and businesses.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-14 Inflation

33. Geographic clustering is concerned with the emergence of a variety of distinct regional economic platforms.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-15 Geographic clustering and economic imbalance

34. An increase in the exchange rate value of the dollar causes the dollar price of foreign made goods to decrease.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-16 Currency exchange rate impact

35. Efficient currency exchange markets have eliminated counter trade in global business transactions.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-16 Currency exchange rate impact

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36. Currency fluctuations can be an advantage to firms trading in the global market.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-16 Currency exchange rate impact

37. A devaluation of the Canadian dollar would make Canadian goods cheaper to foreign buyers.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-16 Currency exchange rate impact

38. One way to think about sustainability is finding a way to drive GDP growth without compromising the environment or the finite resource base.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-18 Sustainability and green initiatives

39. Canada has an aging workforce and a relatively low birth rate. Accordingly, strategies to grow GDP will likely have to consider immigration.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-19 Aging workforce, immigration, and multi-culturalism

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40. With its relatively high level of Internet and ecommerce activity combined with a large, well-developed financial system, Canada is necessarily well-insulated against cybercrime.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-23 Increased threat of cyber attacks (cyber security)

41. PESTEL is a useful tool for understanding what is happening at the macro level.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-24 Managing in Challenging Times

42. A monopoly occurs when there is a single seller for a product or service.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-27 Monopolist markets

43. In Canada, laws prohibit the formation of most types of monopoly.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-27 Monopolist markets

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44. Monica notices that just a few big companies produce the vast majority of soft drinks. She would be correct in describing the soft drink industry as an oligopoly.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-28 Oligopoly-based markets

45. Harry Cutter is the owner of Harry's Hairy Business, one of a large number of barbershops that compete against each other in the city where Harry lives. Harry has tried to attract more customers by staying open longer than most barbershops, and by advertising heavily on local radio to convince people that he offers the best haircuts in town. Harry appears to be operating in an oligopolistic market.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-29 Monopoly-based markets

46. Economists refer to a market in which a few sellers dominate the supply side as monopolistic competition.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-29 Monopoly-based markets

47. Porter's Five Forces does not include the threat of new entrants.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-30 Sensing Market Change

Access Complete Test Bank for Business Strategy Development Application CDN 3rd Bissonette

48. Porter's Five Forces model includes bargaining power of buyers.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-30 Sensing Market Change

49. Porter's Five Forces model is used to assess the firm's strategic capabilities.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-30 Sensing Market Change

50. In addition to analyzing economic data and government policy, managers must seek out and be prepared to respond to disruptive innovation.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-31 Management Reflection—Analyzing Market Trends

51. Understanding Canada's economic platform is not important for managers of not-for-profit organizations.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-31 Management Reflection—Analyzing Market Trends

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Multiple Choice Questions

52. An oligopoly is a market that is characterized by:
A. one firm that totally dominates the supply of the product
B. a large number of small firms all producing very similar products
C. a few large sellers who dominate the market supply
D. several small firms that compete primarily by differentiating their products
E. a large number of large firms producing differentiated products

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-28 Oligopoly-based markets

53. Economic expansion occurs when:
A. fewer goods and services are produced than consumers demand
B. an economy is growing and people are spending more money
C. a nation's standard of living drops quickly
D. employment levels decline over time
E. prices begin to rise and incomes begin to fall

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

54. The law of supply and demand refers to the ability of the market, independent of external influences, to determine the:
A. amount of product or service that will be bought or sold
B. price for which a product or service will be bought and sold
C. amount of product or service that will be produced
D. speed at which a product or service will be bought or sold
E. relative stability of demand for a product or service

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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55. When the supply curve and demand curve for a particular good are on a single graph, the point at which the two curves intersect identifies the:
A. total profit earned by producers
B. total amount of labour that will be employed in that market
C. amount of time it takes to bring together the buyers and sellers of the good
D. equilibrium price of the good
E. the point at which the firm earns profit

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

56. A controlled system is characterized by:
A. reliance on the forces of supply and demand to determine what is produced
B. reliance on the government to determine what is produced and who gets the output
C. an extremely rapid rate of economic growth
D. freedom of choice and freedom of competition
E. heavy reliance on free trade

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-07 Government involvement in influencing economic activity and direction

57. The markets for laundry detergents, soft drinks, and automobiles all are dominated by just a few sellers. Economists would classify these markets as examples of:
A. monopolistic competition
B. perfect competition
C. an oligopoly
D. a monopoly
E. pure competition

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-28 Oligopoly-based markets

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58. In most large cities there are a large number of bakeries. These bakeries produce similar, but not identical, products. Some bakeries claim to have the best cheesecakes in town, while others brag about their cookies or specialty breads. The bakery market in a large city is an example of:
A. monopolistic competition
B. perfect competition
C. an oligopoly
D. a monopoly
E. pure monopoly

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-27 Monopolist markets

59. Daily changes are influenced by both controllable and non-controllable factors. In many cases, these changes can be the result of broader _____ forces beyond a specific industry.
A. micro-economic
B. macroeconomic
C. business
D. national
E. international

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-31 Management Reflection—Analyzing Market Trends

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60. Today, the economic systems of most nations could most accurately be classified as:
A. pure capitalism
B. pure socialism
C. command economies
D. mixed economies
E. modified command economies

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-08 Canada: A Mixed Economic System

61. One of the most-often-used business tools to help assess a market's attractiveness is a business model created by Michael Porter of the Harvard Business School called:
A. industry attractiveness model
B. five forces model
C. competition model
D. macro-economic model
E. industry competitiveness model

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-30 Sensing Market Change

62. Canada has a strong natural resource base resulting in our having a _____ when it comes to the commodities and energy market sectors.
A. national competitive advantage
B. comparative improvement
C. competitive advantage
D. national advantage
E. comparative advantage

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

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63. The ability of a country to produce or supply goods or services at a lower cost than other countries or to possess resources or unique services that are unavailable elsewhere is a(n):
A. national competitive advantage
B. comparative advantage
C. competitive advantage
D. national advantage
E. absolute advantage

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

64. Managers need to understand what the general indicators are saying about the _____ economy and about the _____ relationship between the key variables governing our mixed economic system.
A. past; current
B. future; future
C. current; current
D. past; future
E. current; past

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-24 Managing in Challenging Times

65. Increased unemployment can reduce consumer demand for goods and services, leading to:
A. economic contraction
B. inflation
C. inflation
D. a budget deficit
E. economic expansion

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

Access Complete Test Bank for Business Strategy Development Application CDN 3rd Bissonette

66. Inflation robs an economy of true growth and _____ negatively impacts the confidence levels of consumers and business operators alike.
A. physically
B. psychologically
C. demographically
D. geographically
E. mentally

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-14 Inflation

67. As managers, we must not only be in tune with the general directions which are occurring, but also with the _____ which will develop as a result of such increased economic activity and interdependency.
A. problems
B. threats
C. diseases
D. opportunities and threats
E. prospects

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-24 Managing in Challenging Times

68. The quantity of a good or service that manufacturers or owners are willing to sell at different prices during a specific time period is known as the:
A. supply of that product.
B. demand for that product.
C. elasticity of that product.
D. utility of that product.
E. economic quantity

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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69. Which of the following is NOT one of the trends listed in the text that managers will need to assess in order to plan appropriately for their business operations?
A. currency exchange rate impact
B. sustainability and green initiatives
C. energy prices
D. geographic clustering
E. small business emphasis

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-12 Trends Impacting the Canadian Market

70. Managers assess the macro level, the political, social, technological, environmental, and legal changes in their environment. This analysis is commonly referred to as a(n) _____ analysis.
A. competitive
B. five forces
C. environmental
D. PESTEL
E. ecological

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-12 Trends Impacting the Canadian Market

71. Which of the following represents the value of one nation's currency relative to the currencies of another country?
A. euro rate
B. currency rate
C. exchange rate
D. standard of living
E. purchasing power percentage

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-16 Currency exchange rate impact

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72. When prices are free to adjust over time, the market price of a good tends to:
A. rise above the equilibrium price in the long run
B. equal the equilibrium price in the long run
C. fall below the equilibrium price in the long run
D. have no specific relationship to the equilibrium price
E. adjust to the equilibrium price minus inflation

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

73. An organized approach to economic development includes all of the following, EXCEPT:
A. rising inflation
B. political stability
C. manageable levels of national debt
D. effective legal system
E. established factors of production

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-02 Key Economic Influencers

74. Productivity gains, strong business investment, technological innovation, moderate wage increases, and _____ are all key factors deemed to be critical to keeping Canada's economy competitive.
A. political stability
B. sovereign debt management
C. favourable currency exchange rates
D. favourable demographic change
E. legal innovation

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

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75. Productivity gains, strong business investment, moderate wage increases, favourable current exchange rates, and _____ are all key factors deemed to be critical to keeping Canada's economy competitive.
A. environmental stewardship
B. technological innovation
C. favourable demographic change
D. legal innovation
E. political stability

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

76. Economies move and grow as a result of activities of the following:
A. consumers
B. businesses
C. government
D. large businesses
E. everyone

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-09 The Economy in Simple Terms

77. If a shortage exists for a good in a free-market economy, the:
A. price of the good will rise
B. price of the good will fall
C. government will order suppliers to increase the production of that good
D. government must establish a rationing system to make sure that the good is fairly distributed
E. price of the good will not change

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

Access Complete Test Bank for Business Strategy Development Application CDN 3rd Bissonette

78. Just over half of the FDI flowing into Canada comes from:
A. China
B. United States
C. Great Britain
D. Japan
E. Mexico

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

79. Which of the following is NOT typically included as one of the factors that affects the growth of an economy?
A. expenditures
B. savings
C. investments
D. credit
E. land development

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-09 The Economy in Simple Terms

80. Of the following, which factor is NOT included in the total value of GDP?
A. goods and services which are produced and purchased domestically for consumption
B. government spending business
C. investments within the economy
D. business investments in other countries
E. goods produced for export purposes

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

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81. The presence of competition in free markets:
A. is undesirable because it results in unnecessary duplication of efforts
B. typically results in better quality and lower prices
C. is rare, since most markets eventually evolve into monopolies
D. is undesirable, because one big firm can usually produce goods more efficiently than a large number of small firms
E. is undesirable because it discourages innovation

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-30 Sensing Market Change

82. Which of the following countries is NOT currently a member of the G7/G8?
A. Great Britain
B. France
C. Italy
D. Germany
E. China

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

83. Approximately one-third of the FDI flowing into Canada comes from:
A. China
B. Europe
C. Japan
D. United States
E. Mexico

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

Access Complete Test Bank for Business Strategy Development Application CDN 3rd Bissonette

84. Economic contraction occurs when:
A. spending increases
B. spending declines
C. jobs increase
D. inflation decreases
E. inflation increases

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

85. Suppliers need to think about the cost of production versus the revenue which will be received from selling their product, and the change in profit which will be realized at different points on the schedule. This is called the:
A. demand curve
B. supply line
C. law of supply
D. law of demand
E. demand schedule

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

86. This refers to the point where the quantity supplied equals the quantity demanded, with the price point set.
A. market freedom
B. elastic demand
C. market point
D. equilibrium
E. supply point

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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87. Bigbux is a major producer of whatsits, but it faces competition in the whatsit market from three other major producers. Together, Bigbux and its three large rivals control almost the entire supply of whatsits. The type of market Bigbux is in is called:
A. oligopoly
B. duopoly
C. monopolistic competition
D. quasi-monopoly
E. pure monopoly

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-28 Oligopoly-based markets

88. Jane's Garden Center exists in a market where there are many sellers, little distinction between products, and no seller is large enough to dictate the price of a product. In what kind of market does Jane's company compete?
A. monopoly
B. oligopoly
C. monopolistic competition
D. perfect competition
E. pure oligopoly

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-29 Monopoly-based markets

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89. Susan Gilles wants to invest in a Tim Horton's franchise but opts not to once she finds out just how much it costs to buy a franchise. She decides to start her own independent coffee shop. She understands the need to differentiate her business from all the other coffee shops. The type of competition that exists in this industry is:
A. an oligopoly
B. perfect competition
C. monopolistic competition
D. a monopoly
E. pure oligopoly

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-27 Monopolist markets

90. _____ exists when a significant number of firms produce goods that are similar but are perceived by buyers as being different.
A. Pure competition
B. Monopolistic competition
C. Oligopoly
D. Monopoly
E. Pure oligopoly

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-27 Monopolist markets

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91. A typical demand curve shows that:
A. as people earn more income, they buy more of a good
B. as supply increases, the amount purchased decreases
C. people tend to buy more of a good than they really want
D. people tend to buy more of a good when its price decreases
E. people tend to buy more of a good when its price increases

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

92. Which of the following is NOT one of the contributing factors impacting Canada's economic development?
A. national and provincial debt levels are within acceptable limits
B. required business and economic management systems are in place
C. political system is unstable
D. economy contains the essential factors of production
E. sufficient levels of investment

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

93. Why is it important for managers to understand trends which are occurring within the economic dimension of the macro environment?
A. help managers have confidence in outlaying investments
B. design business strategy
C. pose opportunities and challenges to the livelihood of businesses
D. develop products that customers will want
E. help managers to predict future demand

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-12 Trends Impacting the Canadian Market

Access Complete Test Bank for Business Strategy Development Application CDN 3rd Bissonette

94. The following contributing factor has NOT helped Canada be seen as a safe and lucrative place to do business:
A. possession of a strong, fair, and equitable legal system
B. existence of corruption
C. possession of a strong natural resource base
D. national and provincial debt levels are within acceptable limits
E. banking system is considered one of the most efficient and techno-savvy in the world

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

95. A typical supply curve shows a relationship between the:
A. amount of labour a firm hires and the amount of output it can produce
B. amount of time required to produce a good and the relevant production costs
C. price of a good and the quantity sellers would be willing to offer for sale
D. amount of a good a firm produces and the total profit it earns
E. amount of land and buildings required for production

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

96. Paula, a Canadian businessperson who closely follows international business conditions, recently read a newspaper article predicting that the value of the dollar will soon fall. If this article is correct, Paula should expect:
A. prices of imported goods to rise, and prices of Canadian goods sold overseas to rise as well
B. prices of imported goods to rise, but prices of Canadian goods sold overseas to fall
C. prices of imported goods to fall, and prices of Canadian goods sold overseas to fall as well
D. prices of imported goods to fall, but prices of Canadian goods sold overseas to rise
E. no change to the prices of imports or exports

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-16 Currency exchange rate impact

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97. _____ exists when the entire supply of a good is controlled by a single seller.
A. Pure competition
B. Oligopoly
C. Pure capitalism
D. Monopoly
E. Pure oligopoly

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-29 Monopoly-based markets

98. _____ is/are characterized by a large number of firms selling products that appear to be identical.
A. Oligopoly
B. Monopolistic competition
C. Purely competitive markets
D. Microeconomic competition
E. Command economies

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-26 Purely competitive markets

99. A continuing rise in prices over a period of time is known as:
A. inflation
B. economic expansion
C. recession
D. economic contraction
E. stagflation

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-11 Managing the Movement in the Economy

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100. A typical supply curve shows that an increase in the price of a good will cause the quantity supplied to:
A. decrease
B. increase
C. remain constant
D. fluctuate randomly around its equilibrium value
E. inverse fluctuation around its equilibrium value

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

101. Hennessy Hardware, a Canadian retailer, buys much of its inventory from Asian countries. Hennessy Hardware would benefit if the value of the dollar _____ relative to the currencies of the countries from which Hennessy imports.
A. rose
B. fell
C. remained constant
D. floated unpredictably
E. fell slowly

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-16 Currency exchange rate impact

102. Inelastic demand results when movement in price:
A. results in significant changes in supply
B. does not result in significant changes in supply
C. results in significant changes in demand
D. does not result in significant changes in demand
E. results in equal movement in demand

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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103. Elastic demand results when movement in price:
A. results in significant changes in supply
B. does not result in significant changes in supply
C. results in significant changes in demand
D. does not result in significant changes in demand
E. results in equal movement in demand

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

104. Which of the following was NOT one of the founding members of the G7/G8?
A. Italy
B. United States
C. Russia
D. Great Britain
E. France

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

105. The Canadian economic system can be described as a:
A. mixed economy
B. capitalist economy
C. socialist economy
D. communist economy
E. liberal economy

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-08 Canada: A Mixed Economic System

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106. Which of the following is NOT an element of the PESTEL model?
A. Percentage change
B. Legal
C. Technological
D. Socio-cultural
E. Political

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-24 Managing in Challenging Times

107. When geographic clustering occurs at the broader macro level, it can cause:
A. the cost of visiting Canada by residents of the U.S. is now more expensive than before
B. the ability of governments to effectively control economic expansion or contraction
C. the increased cost of developing new products and services
D. the inability of governments to effectively control economic expansion or contraction
E. the need to import skilled and well-educated workers due to a shortage domestically

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-15 Geographic clustering and economic imbalance

108. Canada's aging workforce is poised to impact the employment needs of Canada's energy sector, resulting in what?
A. the cost of visiting Canada by residents of the U.S. is now more expensive than before
B. the ability of governments to effectively control economic expansion or contraction
C. the increased cost of developing new products and services
D. the inability of governments to effectively control economic expansion or contraction
E. the need to import skilled and well-educated workers due to a shortage domestically

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-19 Aging workforce, immigration, and multi-culturalism

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109. Who is Canada's most important trading partner, in terms of import volume?
A. China
B. India
C. United States
D. Great Britain
E. France

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Topic: 02-01 Canada and Its Economic System

110. A(n) _____ curve shows the relationship between the price of a good and the quantity of that good people are willing and able to buy in a given time period.
A. demand
B. supply
C. utility
D. Laffer
E. Phillips

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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Short Answer Questions

111. Discuss the contributing factors to Canada's Economic Development.

In assessing Canada, with regards to these factors, it can be quickly determined that Canada is fortunate to possess, within its economic fabric, the elements critical to supporting and growing an economic system. Our political system is stable. Our economy contains the essential factors of production, such as roads, ports, utility systems, educated work force, and technology-based business management systems which are essential to the efficient and effective development and delivery of goods and services throughout our economy. Our national and provincial debt levels are within acceptable limits, with both our federal and provincial governments working to reduce such debt loads. Our banking system is considered to be one of the most efficient and techno-savvy in the world, and our inflation levels have been well managed in recent years by the monetary policies and actions put in place by our central bank, the Bank of Canada. Our country is considered to possess a strong, fair, and equitable legal system, and the existence of corruption is viewed as being minimal in both our public and private sectors. In addition, our possession of a strong natural resource base results in our having a comparative advantage when it comes to the commodities and energy market sectors.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

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112. Discuss recent developments affecting Foreign Direct Investment into Canada.

The end result is that many domestic and foreign companies and investors view Canada as a safe and lucrative place to do business. In 2017, as an example, Foreign Direct Investment (FDI) into Canada topped $33 billion. This is down significantly from investment levels in previous years, largely due to changes in the energy sector.

Over half of the FDI flowing into Canada comes from USA, although investment and acquisitions from countries other than USA, particularly with respect to corporate acquisitions, continue to rise. Both Europe and Asia/Oceania are also active investors, with Europe representing approximately one-third of the overall inflow of investment. Outright acquisitions of Canadian companies are not the only investment road being taken by international-based companies and country-based sovereign wealth funds. Minority interests in Canadian companies, by foreign entities are also becoming more common.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-03 Contributing Factors to Economic Development

113. Describe and provide an example of inelastic demand.

A core fundamental of an open, economic environment, the Law of Supply and Demand, refers to the ability of the market, independent of external influences, to determine the price for which a product or service will be bought and sold. Demand reflects the number of purchasers who are willing to pay for a product and/or service at various price points. Demand can be perceived to be elastic or inelastic, depending on the movement in the quantity demanded at the various price points which producers are considering offering a product or service to the marketplace. Inelastic demand results when movement in price does not result in significant changes in demand. As an example, the demand for gasoline changes little, even though the price of gasoline rises. This is due to the need for gasoline by purchasers to operate their vehicles and the lack of substitutes for gasoline in the marketplace. As an example, gasoline prices in Ontario have moved in a range of about $0.96 per litre to over $1.30 per litre over the last 10 years. Despite the changes, the overall demand for gasoline remained relatively stable during the period (allowing for some seasonal fluctuation).

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-04 The Underlying Economic Model

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114. Describe and briefly discuss the allowance for private ownership and entrepreneurship.

This principle refers to the openness of the market to support, encourage, and promote the concepts of private enterprise, personal ownership, entrepreneurship, and wealth creation. Economies around the world allow individuals and corporations, to a varying degree, these rights. Some economies, such as USA and Canada, fully support these concepts in a climate of risk versus return. Developing economies, such as the People's Republic of China and India, are allowing greater access to these fundamentals, whereas others, such as North Korea, are less willing to provide strong support of these capitalistic principles.

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-04 The Underlying Economic Model

115. Discuss what type of economic system Canada demonstrates and what this means for government control.

Canada, like most fully-developed economies, is considered to be a mixed economic system. By this, we mean that our economy allows the law of supply and demand to significantly influence the market. The principles of private ownership, entrepreneurship, and wealth creation, and their corresponding risk and return opportunities are present and supported within our economic fundamentals. Our government, although an active participant in our economy, attempts to manage and influence economic activity through a cooperative/competitive model, participating where and how it feels it is of benefit to the market as a whole. Our government will become more or less engaged when it believes that, in doing so, it would be in the best interest of our nation in order to protect and regulate industries and/or guide economic initiatives. It also manages the economy via its powers of taxation, regulation, national debt targets, provincial transfers, and monetary policy control.

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 The ability to identify the major contributing factors that impact overall economic development.
Learning Objective: 02-02 Exposure to the core economic model that shapes Canada's economic growth and development.
Topic: 02-05 Law of supply and demand

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116. Discuss some of the challenges associated with managing the Canadian economy.

Economists track the movement of GDP (upward or downward), over a period of time, to determine whether an economy is growing or contracting. In general, the Government of Canada, together with affiliated regulatory agencies, provincial governments, and Crown corporations such as the Bank of Canada endeavors to balance between growth and inflation. The task is particularly difficult in Canada, given significant regional disparities.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-08 Canada: A Mixed Economic System

117. Discuss the economic contraction cycle.

In periods of economic contraction, a softening, as an example, of consumer spending will place downward pressure on corporate profits and government tax revenues (see Figure 2.18 for illustration). With this reduction to profits and tax revenue, businesses and government will reduce spending. This, in turn, will reduce investment in economic expansion-based activities. With this reduced spending and lower levels of consumer spending, fewer workers will be needed because the amount of goods and services being produced will be reduced. This will have a negative impact on employment requirements, resulting in an increasing supply of available workers (due to downsizing, retrenchment, and business closings), which, ultimately, will be reflected in higher unemployment rates. With more workers available, the supply of workers will exceed the demand, which will result in a downward pressure on wages and wage increases. This results in less dollars for consumers to spend and, therefore, contributes to a further slowing of economic activity (the cycle continues).

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 A base-level understanding of what constitutes economic activity and how economies grow and contract.
Topic: 02-10 The Economic Growth Cycle

Access Complete Test Bank for Business Strategy Development Application CDN 3rd Bissonette

118. Discuss geographic clustering and its impact on the Canadian economy.

The Canadian economy is transitioning to one predicated on the concept of geographic clustering. Geographic clustering occurs when regional economies develop in a manner that makes them distinctly different from one another and when they are separated by significant enough geographic space where interdependency upon each other is minimized. In essence, a variety of distinct regional economic platforms occurs. Although this occurs frequently at the local level, enough interdependency exists at the regional and national levels to mitigate any negative consequences on the economy. The danger occurs when such distinctness occurs at the broader macro level, resulting in the inability of governments to effectively implement national-based economic management actions to effectively control economic expansion or contraction via monetary policy or inflation control mechanisms. With the current economic distinctness between our western provinces and central and eastern Canada, continued emphasis must be placed on the interdependency of the regions to ensure that the negative impact of geographic clustering can be minimized.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-15 Geographic clustering and economic imbalance

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119. Discuss the notion of a branch market economy in the Canadian context.

Although Canada is a $1.6 trillion economy (PPP), the overall size of our economy is small when compared to other countries. This includes both fully-developed economies, such as U.S. ($19 + trillion), and developing economies, such as the People's Republic of China ($12 + trillion PPP), and India ($2.6 trillion PPP). In addition, with strong demand for our natural resources, energy, and commodity-based goods and services, many global organizations have looked to actively purchase Canadian-owned companies. In the past decade, the number of Canadian-owned companies purchased by foreign firms has alarmed a number of analysts and government sector managers and elected officials. The acquisition of Inco, by Vale of Brazil (formerly CVRD), and Falconbridge, by Xstrata of Switzerland, in 2006, are just two of many examples of the trend which is occurring within our business sector. For some, the fundamental concern is that Canada, in seeing its major businesses being acquired by foreign entities, is in danger of losing control of its economic base, and runs the risk of simply becoming a branch market economy. The Canadian government has been challenged over the past few years to revamp the Investment Canada Act and include a national security test for assessing the impact of foreign ownership in Canadian corporations as a mechanism for controlling the economic and cultural impact of such acquisitions. This issue resurfaced dramatically in the fall of 2010 when Australian-based BHP Billiton attempted a hostile takeover of Saskatchewan-based Potash Corporation. This deal was blocked by the Canadian government on the grounds that it was not in the interest of Canada to see this Canadian-based organization become owned by a foreign entity. More recently, examples have included the acquisition of Vancouver-based Norstat International Inc. (developer of satellite systems) by Hytera Communications (China), ITF Technologies (Montreal) by One-Net Communications (China), and the Airbus acquisition of Bombardier's aerospace division. As one can see, the debate associated with foreign ownership is only expected to become louder, and it is anticipated that additional modifications to the Investment Canada Act may be enacted in the future.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-17 Branch market impact

Access Complete Test Bank for Business Strategy Development Application CDN 3rd Bissonette

120. What is globalization and what is its impact on the Canadian economy?

Globalization refers to the growing interconnectivity of the world and the heightened interdependence which we are seeing between its various economic regions. The advent of Facebook and Twitter, as examples, enable us to transmit information to as many as one billion people across the globe with simply the tap of a finger. The internet has enabled the development of business models which possess the ability to reach potential buyers with little to no boundaries or few restrictions. As the global economy becomes more connected, and emerging economies, such as the BRIC countries (Brazil, Russia, India, China) and CIVETS countries (Columbia, Indonesia, Vietnam, Egypt, Turkey, South Africa), continue to develop their domestic and export-based economies, new business opportunities will arise as never before. At the same time, so will increased competitive pressures. Canadian businesses will need to adapt to remain competitive. Adapting means becoming more efficient and effective in our operational processes, improving the productivity of our workforces, reinventing our businesses as global market needs change, and becoming increasingly innovative and entrepreneurial as product and market life cycles become shorter.

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 The ability to recognize trends that will influence the future composition of economic development in Canada.
Topic: 02-22 Globalization and potential geopolitical instability

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121. Briefly describe PESTEL analysis and how it can be used in the current Canadian context.

In addition to the economic factors discussed above, managers will also assess, at the macro level, the political, social, technological, environmental, and legal changes which are occurring. This analysis is commonly referred to as a PESTEL analysis. Politically, the assessment will be looking for trends in government legislation and/or activity which may signal a change to the management of the economy and, therefore, the equilibrium relationship within the mixed economic system. This could include mild intervention in the form of interest rate adjustments, or more significant intervention, such as direct government investment in particular market segments, or consideration of anti-trust legislation and/or changes to Canada's investment and competition acts, in order to protect Canadian companies or market sectors potentially at risk. Increasing tendencies towards protectionism could also form part of this high-level political assessment. Socially, managers will look for trends which may fundamentally change the way in which consumers want, need, or use products/services, as well as the changing composition of the marketplace. This can include demographic shifts, and cultural shifts, as well as behavioural changes. Managers also need to pay attention to changes occurring in the legal sector and its potential impact on the overall business risk. This can include changes to employment law, product liability risk exposure, contract law, and consumer rights, to name a few. Changes associated with environmental compliance regulations and other environmental sustainability obligations must also be reviewed and brought into the decision-making process. Finally, managers must constantly assess the speed and direction of technology shifts which could potentially render current products, services, and operational processes obsolete. Telecommunications, automation, and ecommerce-based business models are dramatically changing the way in which business is done today, with the rate of change continuing to accelerate as we move forward in the current and upcoming decade.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-24 Managing in Challenging Times

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122. Contrast monopolistic markets to purely competitive markets and give an example of each.

Purely competitive markets are markets which are characterized by a number of similar products or services and where no single competitor has a dominant market leader position. A key fundamental characteristic of this market is the absence of differentiation between the products or services being offered. These markets generally are characterized as well as possessing few barriers to new market entrants. If you think back to our discussion in File: Chapter 1, regarding value propositions, purely competitive markets are markets where suppliers of products and services are largely unable to create distinctions between the products and services being offered to the target audience. Commodity-based markets and agricultural markets offer a number of good examples of purely competitive markets. Green peppers are green peppers, corn is corn, onions are onions, etc. In this type of market, the product or service is largely viewed as a commodity, with price being a key component of the overall purchase decision. In contrast to purely competitive markets, monopolistic markets are markets which possess a number of different suppliers of products and services, but the nature of the product and/or service, along with the marketing effort initiated by businesses within the sector, have enabled true differentiation to set in. Products and services are viewed, by customers, as being somewhat different and unique, resulting in a significant shift in the development and marketing of value propositions. The manufacturing of cell phones is a good example of a market which exhibits monopolistic market tendencies. Suppliers, such as Nokia, Emerson, Samsung, Motorola, Apple, RIM, to name a few, all compete for customers on the basis of product differences, value, and overall price/quality perceptions.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-25 Understanding Competitive Models

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123. How do managers sense if the market within which they are operating is changing and what tools are available to assist in the assessment process?

These are two fundamental questions which keep managers up at night as they seek to maintain the competitiveness of their organizations: Where to play and how to win. One of the most-often-used business tools for the former is a business model called Porter's Five Forces, created by Michael Porter of the Harvard Business School. Within this model, Porter suggests that managers and business owners can keep their finger on the pulse of the industry within which they operate by assessing changes in five key areas: the intensity of competitive rivalry; the potential for new entrants into the industry; the probability of new products or services which will act as substitutes to the current products and services being offered; the power which suppliers have over manufacturers of goods and services; and the power of buyers within the industry. An understanding changes in these forces and the interaction between these forces helps managers to then make appropriate strategy decisions.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Guidance on how managers use information on economic trends in today's marketplace to better manage their organizations and respond to the competitive challenges confronting them.
Topic: 02-30 Sensing Market Change

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