

**Seattle Central Community College**  
**Credit by Examination**

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**Course Title: INTRODUCTION TO BUSINESS**

**Course Number: BUS 101**

**Credits: 5**

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**Course Description:**

Introduction to Business is an overview of business in the United States including limited exploration of international market connections. The emphasis is on the basic operation and financing of businesses and the legal, economic, and social environment in which they exist and operate. Business is defined as including all profit-seeking activities and enterprises that provide goods or services, with the understanding that many ideas and principles developed in examining profit-seeking firms also apply to non-profit ventures.

Major topic areas include legal forms of business ownership and finance in the U.S. including securities markets (stocks and bonds). There is also emphasis in areas of business study including financial and company management, organization, motivation, marketing and basic description of the operation of any economy.

**Course Prerequisites**

There are no formal prerequisites for Introduction to Business. The following informal prerequisites have been established. It will be assumed that students in this course have the following skills:

1. General education background of a high school graduate or above.
2. The ability to read at a 12th grade level, and to comprehend, and interpret material read.
3. The ability to read and construct graphs.
4. The ability to learn and use the correct spelling of business vocabulary.
5. The ability and desire to study.

**Text**

Contemporary Business. Boone & Kurtz. Eighth Edition. The Dryden Press. 1996. Note that the next edition (due in late 1998) will be adopted when released. Terms and concepts to know are nearly all contained in Chapters 1 through 9, 13, 18 through 20 and Appendices B and C.

Additional basic information on securities markets and understanding market indexes, processes and quotations is available from a variety of sources. One comprehensive introduction is contained in Understanding Money and Markets, published by Dow-Jones and available in many bookstores. Consistently reading The Wall Street Journal or other business periodicals may also be helpful.

## Course Learning Objectives

The following is a list of topic areas and terms which the student is expected to understand. Exams will test the students ability to both define and correctly use this business terminology. If there is no descriptive statement or parenthetic addition for any of the following terms or phrases, the student must be able to provide a correct definition of the term and explain its application in a general business context.

- I. Four Major Areas of the Business Environment
  - A. Economic
    1. Comparative and absolute advantage (explain difference)
    2. Supply and demand
      - a) Predict changes in price or quantity as supply or demand change
      - b) Show impact of taxes or subsidies on market price or quantity
    3. Gross Domestic Product (GDP)
      - a) Growth rate
      - b) Relationship between real and nominal GDP
    4. Unemployment
      - a) Relate population, labor force, unemployed and employed
      - b) Formula for the unemployment rate
    5. Inflation
      - a) Interpret changes in price index
      - b) Use of price index to adjust wages for inflation
      - c) Impact on borrowers and lenders
    6. Circular flow of goods and services, income and expenditures among firms and households
      - a) Equality of income and expenditure
      - b) Importance of investment in growth of income
    7. Distinguish between government monetary and fiscal policy
  - B. Legal
    1. Regulation of business (key features of each of first four)
      - a) Sherman Antitrust Act
      - b) Clayton Act
      - c) Federal Trade Commission
      - d) Robinson-Patman Act

- e) North American Free Trade Agreement (identify participating nations and general aims)
- f) Laws to protect consumers (list several)
- g) Deregulation (identify two industries affected)
- 2. Legal forms of business ownership (significant emphasis on comparison)
  - a) Features of sole proprietorship, partnership (general and limited), and corporation concerning creation, costs, control, liability, and ability to raise funds
  - b) Advantages
  - c) Disadvantages
- 3. Business law
  - a) Statutory and common law (explain difference)
  - b) Trial and appellate courts (explain difference)
  - c) Administrative law (government agencies)
  - d) Contract (four requirements for enforceability)
  - e) Uniform Commercial Code (UCC) basics
    - i. Warranties (two types)
    - ii. Negotiable instrument (four required conditions)
    - iii. Endorsements (four kinds)
  - f) Additional pertinent areas of law
    - i. Sales law
    - ii. property law
    - iii. Law of bailment
    - iv. Law of agency (principal, agent relationship)
    - v. Tort law (define a tort)
    - vi. Bankruptcy (distinguish among personal and business Chapters)
    - vii. Trademark, patent and copyright
    - viii. Tax law

C. Social

- 1. Objective review of the statement by Milton Friedman, "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud."
- 2. Responsibilities of firm to (think carefully about the entire quotation above):
  - a. Customers
  - b. Employees
  - c. Owners and financial community
  - d. General public

D. Financial

1. Monetary System

- a. Characteristics of money (explain importance of each)
  - i. Divisibility
  - ii. Portability
  - iii. Durability
  - iv. Difficulty of counterfeiting
  - v. Stability of value
- b. Functions of money (explain importance of each)
  - i. Medium of exchange
  - ii. Unit of account
  - iii. Store of value
- c) Banking System
  - i. Commercial banks
  - ii. Thrifts (Savings & Loans, mutuals)
  - iii. Credit unions
- d) Fractional reserve banking
- e) Creation/destruction of money via deposit/withdrawal
- f) Federal Reserve
  - i. Board of Governors (explain role, number of members, term, and appointment process)
  - ii. Chairman (term)
  - iii. Districts
  - iv. Federal Open Market Committee (FOMC describe membership and function)
  - v. Tools for managing money supply (describe all three and their impact on economy)

2. Stock Markets

- a) Major stock markets
  - i. New York Stock Exchange (NYSE)
  - ii. American Stock Exchange (AMEX)
  - iii. National Association of Securities Dealers Automated Quotation System (NASDAQ)
  - iv. Foreign stock markets
- b) Distinguish between common and preferred stock
- c) Research buying & selling stocks
  - i. Order types (market, limit, stop)
  - ii. Costs (commission)
  - iii. Methods (in-person, telephone, internet)
- d) Interpret stock market quotations
- e) Understand math relationships among stock quote elements and meaning of each element
  - i. Price
  - ii. High
  - iii. Low
  - iv. Close

- v. Change
- vi. 52 week High/Low
- vii. Volume
- viii. Earnings per share
- ix. Price/Earnings ratio
- x. Dividend
- xi. Dividend yield
- f) Stock market indicators
  - i. Dow Jones Industrial Average (how many companies and calculation procedure)
  - ii. Standard & Poor's 500 Index
- 3. Mutual funds (advantage over stock or bond?)
- 4. Bond Markets
  - a) Major bond categories
    - i. Corporate
    - ii. U.S. Government
    - iii. Municipal
  - b) Interpret bond market quotations
  - c) Bond terms
    - i. Face value
    - ii. Maturity
    - iii. Yield
    - iv. Price (per what unit of face value?)
    - v. Net Change
    - vi. Price/Yield inverse relationship

## II. Starting (or Buying) a Business

- A. Business Plan
  - 1. Purpose
  - 2. Key elements or contents
    - a) Executive summary
    - b) Introduction
    - c) Marketing
      - i. Target markets
      - ii. Competitors
      - iii. Industry background and potential
      - iv. Marketing plan
    - d) Operating plan
    - e) Management team
    - f) Finance (including projections)
      - i. Assets and liabilities
      - ii. Sources and uses of funds
      - iii. Cash flow
- B. Entrepreneurship and small business
  - 1. Characteristics of entrepreneurs (identify several)
  - 2. Typical small businesses (by industry and other characteristics)

3. Advantages of small businesses (explain circumstances allowing small business to have each kind of advantage)
  - a) Innovation
  - b) Customer service
  - c) Specialized market niches
  - d) Costs
4. Disadvantages
  - a) Management (explain)
  - b) Financing (explain)
  - c) Regulatory burden (explain impact on small business)
5. Small Business Administration (SBA)
  - a) Financial assistance
    - i. Direct SBA loans
    - ii. Small Business Investment Company (SBIC)
  - b) Other SBA assistance (identify several)
6. Franchising
  - a. Roles
    - i. Franchisee
    - ii. Franchisor
  - b) Franchise agreement (explain significance of)
  - c) Benefits (explain several possible benefits)
  - d) Problems (explain several possible problems)
7. Foreign market assistance
  - a) Licensing
  - b) Export trading companies
  - c) Export management companies

### III. Operating a Business

- A. Mission statement and objectives (distinguish between the two)
- B. Competitive differentiation (explain importance and ways to achieve it)
- C. Management Functions
  1. Planning (identify an example for each)
    - a) Strategic
    - b) Tactical
    - c) Operational
    - d) Adaptive
    - e) Contingency
  2. Organizing
  3. Directing
  4. Controlling
  5. Leadership and Motivation
  6. Quality
    - a) Recognition Programs
      - i. Domestic
      - ii. Foreign
    - b) Total Quality Management (TQM)
      - i. Connection to all company elements

- ii. Customer feedback
- iii. Employee feedback
- iv. Supplier feedback
- v. PDCA cycle
- vi. Benchmarking

- D. Organizational structure
  - 1. Departmentalization
  - 2. Organization charts (explain vertical and horizontal connections)
    - a) Delegation
    - b) Responsibility
    - c) Accountability
    - d) Authority
  - 3. Types of organizational structure (describe basic relationships in each and compare the four types using above four terms)
    - a) Line
    - b) Line-and-staff
    - c) Committee
    - d) Matrix
- E. Human Resource Management
  - 1. Human "needs"
    - a) Maslow's Hierarchy (list 5 levels and condition required prior to emphasis on next higher level)
    - b) Theories X, Y, and Z (differentiate)
  - 2. Orientation, training and evaluation
    - a) On-the-job training
    - b) Performance appraisal (explain importance and process)
  - 3. Employee compensation
    - a) Wage and salary (define each and identify usual elements used to determine amount)
    - b) Benefits (identify several types)
    - c) Incentive plans
  - 4. Productivity and morale (explain potential contribution of each, and potential concerns, if any)
    - a) Job enrichment
    - b) Flexible schedules
    - c) Home-based work
    - d) Empowerment
    - e) Downsizing
    - f) Outsourcing
    - g) Intrapreneurship
    - h) Contingency workers

#### IV. Business Finance

- A. Sources of Money (identify two or three types for each category compare advantages and disadvantages)
  - 1. Long term
  - 2. Short term

3. Equity capital
4. Debt capital
- B. Financial Management
  1. Risk-return trade-off (explain)
  2. Accounting
    - a. Users of accounting information
      - i. Internal (identify 2)
      - ii. External (identify 3)
    - b. Accounting equation
    - c. Financial statements (identify major components and function of each)
      - i. Income Statement
      - ii. Balance Sheet
      - iii. Statement of Cash Flow
    - d) Ratio analysis (identify each according to following categories and how each aids analysis of a firm's strengths and weaknesses)
      - i. Liquidity ratios
      - ii. Profitability ratios
      - iii. Leverage ratios
      - iv. Activity ratios
  3. Budgeting (explain role in business)
  4. Exchange rates (interpret quotes, i.e. Dollars per Yen or Yen per Dollar and explain impact in international business)
- C. Risk management
  1. Strategies (identify four)
  2. Insurance concepts
    - a) Insurable interest
    - b) Insurable risk
    - c) Law of large numbers
  3. Insurance types (identify perils and covered losses)
    - a) Property & liability
    - b) Health
    - c) Life

## Assessment Method

Student grade will be determined by an exam combining 50 multiple choice questions worth three points each (75 percent), problems involving stock and bond quotes (15%) and a short essay on the social responsibility of business (10%). The exam may last up to two hours.

Multiple choice answers are either correct or incorrect, with no partial credit. They will be from the topics and terms detailed above. They will be representative. For the problems, there will be one stock quote and one bond quote with two to five questions related to each. Points for each answer will be shown in parentheses

adjacent to the question, will total 30, and are based primarily on correct answers derived from information given in the quotes. Partial credit may be received if clear indication of working toward correct answer is shown on the sheet provided. The short essay will be scored on the basis of objective content, rational support for any contentions made, and logic not emotion. Two to four paragraphs set a rough minimum; write more if you have time and can support what you write. Spelling, grammar and clarity of sentences may contribute to the score, with a total of 20 points.

A calculator may be used but no complex calculations will be required. Solving for an unknown quantity in a relationship may be required. No notes or text are allowed. Bring one Scantron form, a sharpened pencil, and if you prefer to write your essay in ink, a pen. Scratch paper will be provided and is to be turned in with other portions of the exam. Be sure your name and the course symbol (BUS 101) is on everything you turn in. And best wishes for a high score!