

b

Student: _____

1. An operating statement is a simple summary of a company's assets, liabilities, and owners' equity at a particular time.
True False
2. The main purpose of an operating statement is to determine a company's net profit over a specified period of time--and present data to support that figure.
True False
3. The three main components of an operating statement are costs, assets, and profit.
True False
4. The three main components of an operating statement are sales, costs, and profit or loss.
True False
5. Monthly operating statements might be used to uncover unfavorable trends in sales, costs, and profit.
True False
6. Returns or allowances are subtracted from net sales to find gross sales on an operating statement.
True False
7. Net sales is the total value at cost of all the products sold during an operating period.
True False
8. The total value AT COST of all the products sold during an operating period is the cost of sales.
True False
9. "Cost of sales" equals the total value of all the products purchased during an operating period plus freight in.
True False
10. Gross margin (or gross profit) is the amount left over after the cost of sales is subtracted from net sales.
True False
11. Gross margin (or gross profit) is the amount left over after the cost of sales is subtracted from gross sales.
True False

12. A company's gross margin must cover all the costs of making and selling the products, and hopefully leave a reasonable net profit.

True False

13. The term "net profit" refers to the amount the company has earned from its operations during a particular period.

True False

14. Net sales and net profit are the same thing.

True False

15. The net cost of delivered purchases equals the original invoice cost of purchases plus purchase discounts minus freight charges.

True False

16. Purchase discounts should be subtracted from the original invoice cost of purchases to get the net cost of purchases.

True False

17. "Expenses" (on an operating statement) usually include the cost of sales--both purchased and produced.

True False

18. A measure of the number of times the average inventory is sold during a year is stockturn rate.

True False

19. The stockturn rate shows how rapidly a firm's inventory is moving.

True False

20. It is impossible for a firm's stockturn rate to equal 1.0.

True False

21. When calculating operating ratios from an operating statement, the denominator is usually net profit.

True False

22. Operating ratios (calculated from an operating statement) show various items from the statement as a percentage of net sales.

True False

23. Markups (expressed as a percentage of selling price) cannot be converted to markup percents expressed as a percentage of cost without knowing the actual selling price or the actual cost.

True False

24. A 33 1/3 percent markup on selling price equals a 50 percent markup on cost.
True False
25. A retailer's "markdown ratio" is calculated directly from its operating statement.
True False
26. Markdowns are generally considered to be due to business errors, while returns result from customer errors.
True False
27. Return on investment is a measure of the dollar resources the firm has invested in a project or business.
True False
28. The ROI ratio might be improved by earning at least the same net profit while reducing investment.
True False
29. Return on investment and return on assets are both measures of how effectively a firm uses its resources.
True False
30. Market potential refers to what a whole market segment might buy.
True False
31. A sales forecast is an estimate of what a whole market segment will buy.
True False
32. A sales forecast is an estimate of how much an industry or firm hopes to sell to a market segment.
True False
33. Market potential refers to how much a whole market segment will buy while sales forecast refers to how much one firm hopes to sell to that market segment.
True False
34. When comparing the figures for market potential and sales forecast for the same market segment, the sales forecast figure should always be larger.
True False
35. When forecasting sales, a common approach is to develop a national income forecast, then an industry sales forecast, and finally specific company and product forecasts.
True False
36. Generally, a marketing manager doesn't have to make forecasts for a national economy or the broad industry.
True False

37. Once a specific forecast is developed, we can ascertain why sales vary.

True False

38. A weakness of the trend-extension method of sales forecasting is that it assumes past conditions will continue unchanged in the future.

True False

39. The factor method tries to forecast sales by finding a relation between the company's sales and some other factor (or factors).

True False

40. The basic formula used in the factor method of sales forecasting is: some variable, such as past sales, times some related factor equals the sales forecast.

True False

41. The Sales and Marketing Management "Buying Power Index" is a measure of the potential in different geographic areas.

True False

42. Sales and Marketing Management's "Buying Power Index" is not very useful for sales forecasting because it only considers the population in markets.

True False

43. Sales forecasts based on Sales and Marketing Management's "Buying Power Index" assume that sales are related to a market's population, income, and retail sales.

True False

44. The factor method is widely used by producers of consumer products, but it isn't relevant for producers of business products.

True False

45. An auto manufacturer that bases its sales forecast on increases in population and income is using the "factor method."

True False

46. A major limitation of the factor method is that it does not allow several factors to be used together.

True False

47. Not all past economic or sales behavior can be neatly extended with a straight line or some manipulation.

True False

48. The "jury of executive opinion" method of sales forecasting combines the opinions of experienced executives in a firm.
- True False
49. The main disadvantage of the "jury of executive opinion" method of sales forecasting is that it is very slow.
- True False
50. The main advantage of the jury approach is that it can be done quickly and easily.
- True False
51. The likely reaction of customers to possible changes in a marketing mix can sometimes be estimated using market tests and surveys of final buyers.
- True False
52. The accuracy of any sales forecast depends on whether the firm selects and implements a marketing mix that turns these opportunities into sales and profits.
- True False
53. The main purpose of the "operating statement" is to:
- A. show which products or customers are most profitable.
 - B. show the sources of sales data.
 - C. calculate the net profit for the company.
 - D. present data to support the net profit figure.
 - E. both C and D.
54. The basic components of an operating statement are:
- A. net sales, cost of sales, profit.
 - B. gross sales, gross margin, expenses, net profit.
 - C. sales, costs, and profit or loss.
 - D. sales, costs, and expenses.
 - E. gross sales, gross margin, net profit.
55. Ms. Treadway's athletic shoe store had gross sales of \$62,500 in January. Compute her NET SALES for the month from the following data.
- | | |
|----------------|---------|
| Sales returns | \$2,500 |
| Purchases | \$5,000 |
| Markdowns | \$2,000 |
| Stockturn rate | 3 |
- A. \$59,500
 - B. \$5,500
 - C. \$48,000
 - D. \$60,000
 - E. \$3,500

56. Given the following information, calculate the firm's NET PROFIT (or LOSS).

| | |
|------------------------|-----------|
| Returns and allowances | \$ 60,000 |
| Gross sales | \$460,000 |
| Cost of sales | \$200,000 |
| Expenses | \$100,000 |
| Gross margin | \$200,000 |

- A. \$ 85,000
- B. \$100,000
- C. \$ 50,000
- D. \$160,000
- E. a loss of \$200,000

57. Given the following information, calculate the firm's COST OF SALES.

| | |
|---------------------|-----------|
| Beginning inventory | \$ 50,000 |
| Purchase discounts | \$ 10,000 |
| Ending inventory | \$ 60,000 |
| Purchases | \$200,000 |
| Freight-in | \$ 10,000 |

- A. \$180,000
- B. \$285,000
- C. \$190,000
- D. \$120,000
- E. Cannot be determined without knowing the firm's net sales.

58. Regarding operating statements:

- A. gross sales are the actual sales dollars the company will receive.
- B. net sales minus expenses equals the cost of sales.
- C. "gross sales" minus expenses equals the cost of sales.
- D. gross margin equals expenses plus net profit.
- E. gross margin is the money left after all expenses are subtracted from net sales.

59. When a firm subtracts its cost of sales from its net sales, the amount left over is called:

- A. gross margin.
- B. return on assets.
- C. net profit.
- D. expenses.
- E. gross sales.

60. Stockturn rate equals:

- A. net sales minus gross margin divided by average inventory at retail.
- B. cost of sales divided by average inventory at cost.
- C. net sales divided by an average inventory at selling price.
- D. sales in units divided by average inventory in units.
- E. All of the above EXCEPT A.

61. The cost of sales for a company is \$400,000 and its net sales are \$800,000. What would its stockturn rate be if its average inventory at cost is \$100,000?
- 3
 - 2
 - 1
 - 8
 - 4
62. A farm supply store starting with a \$40,000 inventory at cost expects to sell \$400,000 (cost of sales) of merchandise in the coming year. It plans to turn over its stock 10 times during the year. How much merchandise must the shop purchase during the year?
- \$200,000
 - \$400,000
 - \$420,000
 - \$440,000
 - None of the above.
63. What net sales are required to obtain a stockturn rate of 5--given an average inventory at cost of \$100,000 and a gross margin of 50 percent?
- \$100,000
 - \$1,500,000
 - \$600,000
 - \$1,000,000
 - \$400,000
64. Given the following information, calculate the firm's stockturn rate.
- | | |
|---------------------------|-----------|
| Net sales | \$480,000 |
| Gross margin % | 50% |
| Average inventory at cost | \$ 40,000 |
- 7
 - 10
 - 3
 - 6
 - Cannot be determined from data given.
65. Which of the following statements about operating ratios (which can be calculated from operating statements) is TRUE?
- By comparing operating ratios from one period to another, a firm can identify areas that may need special attention.
 - These ratios are often used for control purposes.
 - These ratios are calculated by dividing operating statement items by net sales.
 - By comparing its operating ratios with competitors' ratios, a firm may be able to obtain a better idea of how it is doing.
 - All of the above are true.

66. If net sales on the operating statement for Brandywine Company were \$200,000--and gross sales were \$240,000--what would the cost of sales be if the gross margin was 20 percent?
- A. \$140,000
 - B. \$168,000
 - C. \$160,000
 - D. \$120,000
 - E. Cannot be determined without knowing Brandywine's expenses and net profit.
67. True Blue, Inc.--which had a net profit of \$200,000 last year--had a gross margin of 40 percent and expenses of 30 percent. What were its net sales in dollars?
- A. \$700,000
 - B. \$2,000,000
 - C. \$1,000,000
 - D. \$800,000
 - E. Cannot be determined with data given.
68. If a wholesaler takes a 33.3 percent markup on selling price, what is the approximate markup on cost?
- A. 80%
 - B. 50%
 - C. 20%
 - D. 100%
 - E. 33%
69. If a wholesaler's markup on selling price is 50 percent, what is the markup on cost?
- A. 33 $\frac{1}{3}$ %
 - B. 66 $\frac{2}{3}$ %
 - C. 50%
 - D. 100%
 - E. Cannot be determined without knowing the dollar amount of the markup.
70. In making a purchase from a wholesaler, a retailer is told that a certain item will earn a 100 percent markup on cost. What markup on selling price will this be?
- A. 75%
 - B. 100%
 - C. 66 $\frac{2}{3}$ %
 - D. 200%
 - E. 50%
71. If a wholesaler takes a 50 percent markup on its cost, this is equal to a _____ markup on selling price.
- A. 33 $\frac{1}{3}$ %
 - B. 200%
 - C. 100%
 - D. 20%
 - E. 50%

72. Aiwa Industries sells directly to auto parts retailers and is trying to set a price on a radar detector so that its retailers can sell it for \$100. If the retailers need a 30 percent markup--and Aiwa can produce the item for \$35--what markup could Aiwa take for itself?
- A. 35%
 - B. 100%
 - C. 30%
 - D. 70%
 - E. 50%
73. A hardware retailer who seeks a markup of 50 percent recently bought a new item for \$15.00. To determine its selling price, it should add _____ to this cost.
- A. \$40.00
 - B. \$80.00
 - C. \$10.00
 - D. \$20.00
 - E. \$15.00
74. A drugstore buys toothpaste from its wholesaler for \$30.00 a case. This retailer uses a 25 percent markup. The retail selling price for a case of the toothpaste will be:
- A. \$37.50
 - B. \$120.00
 - C. \$40.00
 - D. \$22.50
 - E. There is not enough information to tell.
75. Markdowns:
- A. do not affect the profits of a business.
 - B. are not shown on an operating statement.
 - C. are similar to allowances--and are subtracted from gross sales on an operating statement.
 - D. are generally caused by "consumer errors."
 - E. All of the above.
76. Regarding markdowns, which of the following statements is TRUE?
- A. The markdown ratio is calculated by dividing the sum of markdowns and allowances by net sales.
 - B. Markdowns are required because customers will not buy at the original marked-up price.
 - C. Markdowns are generally considered to be due to "business errors."
 - D. Gross margins are roughly equal to markdowns.
 - E. All are true EXCEPT D.
77. Regarding "operating statements," which of the following statements is FALSE?
- A. Stockturn rate can be calculated directly from a detailed operating statement.
 - B. Gross margin must be larger than expenses for a business to make a profit.
 - C. By comparing the results from one statement to another, management can see trends.
 - D. The markdown ratio cannot be calculated directly from a detailed operating statement.
 - E. The purpose of the operating statement is to determine the firm's ROI and ROA.

78. "Return on investment" means:

- A. sales divided by investment.
- B. investment divided by net sales.
- C. net profit before taxes divided by the assets used to make the profit.
- D. net profit after taxes divided by the investment used to make the profit.
- E. None of the above.

79. Which of the following would NOT be shown on a firm's "balance sheet"?

- A. Liabilities
- B. Net worth
- C. Assets
- D. Net sales
- E. All of the above would be on a firm's balance sheet.

80. Given the following information, calculate the firm's "return on investment" (ROI).

Net sales: \$20,000,000

Net profit (after taxes): \$500,000

Investment: \$10,000,000

- A. 20%
- B. 50%
- C. 10%
- D. 2.5%
- E. 5%

81. Other things equal, a firm can increase return on investment (ROI) by:

- A. decreasing investment.
- B. reducing expenses.
- C. increasing profit margins.
- D. increasing net sales.
- E. Any of the above.

Use the information below to answer the following questions that refer to Table B-1.

Table B-1

| | |
|---------------------|-----------|
| Gross sales | \$650,000 |
| Returns | \$ 40,000 |
| Allowances | \$ 10,000 |
| Markdowns | \$ 20,000 |
| Beginning inventory | \$ 50,000 |
| Ending inventory | \$ 30,000 |
| Expenses | 25% |
| Stockturn rate | 10 |
| Investment | \$250,000 |

82. Based on the information in Table B-1, net sales are:

- A. \$560,000.
- B. \$530,000.
- C. \$650,000.
- D. \$610,000.
- E. \$600,000.

83. Based on the information in Table B-1, and given that the stockturn rate is 10, the cost of sales is:
- A. \$400,000.
 - B. \$70,000.
 - C. \$60,000.
 - D. \$65,000.
84. Based on the information in Table B-1, the gross margin is:
- A. \$200,000.
 - B. \$175,000.
 - C. \$250,000.
 - D. \$320,000.
 - E. \$130,000.
85. Based on the information in Table B-1, the net profit is:
- A. \$50,000.
 - B. \$120,000.
 - C. a loss of \$75,000.
 - D. \$215,000.
 - E. \$85,000.
86. Based on the information in Table B-1, the markdown ratio is:
- A. 20%.
 - B. 25%.
 - C. 15%.
 - D. 5%.
 - E. 10%.
87. Based on the information in Table B-1, and assuming a 50 percent tax on net profit, the return on investment is:
- A. 12.3%.
 - B. 25.0%.
 - C. 9.9%.
 - D. 10.0%.
 - E. The return is negative because the firm had a loss.

Use the information below to answer the following questions that refer to Table B-2.

Table B-2

| | |
|---------------------|-----------|
| Gross sales | \$240,000 |
| Returns | \$ 20,000 |
| Allowances | \$ 20,000 |
| Gross margin | 25% |
| Beginning inventory | \$ 50,000 |
| Ending inventory | \$ 50,000 |
| Expenses | \$ 40,000 |
| Markdowns | \$ 30,000 |
| Investment | \$ 50,000 |

88. Based on the information in Table B-2, net sales are:
- A. \$140,000.
 - B. \$155,000.
 - C. \$200,000.
 - D. \$180,000.
 - E. \$220,000.
89. Based on the information in Table B-2, and given that the gross margin percent is 25%, what is the cost of sales?
- A. \$75,000.
 - B. \$150,000.
 - C. \$55,000.
 - D. \$12,500.
 - E. \$50,000.
90. Based on the information in Table B-2, the stockturn rate is:
- A. 4.
 - B. 5.
 - C. 3.
 - D. 1.
 - E. 2.
91. Based on the information in Table B-2, the net profit is:
- A. \$15,500.
 - B. \$10,000.
 - C. \$65,000.
 - D. \$23,000.
 - E. a loss of \$90,000.
92. Based on the information in Table B-2, the markdown ratio is:
- A. 33.3%.
 - B. 18.1%.
 - C. 9.5%.
 - D. 16.7%.
 - E. 25.0%.
93. Based on the information in Table B-2, and assuming a 50 percent tax on net profit, the return on investment (ROI) is:
- A. 10%.
 - B. 20%.
 - C. 15%.
 - D. 5%.
 - E. the return is negative because the business lost money.

94. "Market potential" is:

- A. what a whole market segment might buy.
- B. how much a firm hopes to sell to a market segment.
- C. how much an industry hopes to sell to a market segment.
- D. an estimate of the national income for the coming year.
- E. All of the above.

95. _____ is what a whole market segment might buy.

- A. Market segment
- B. Sales forecast
- C. Market potential
- D. Market strategy
- E. Sales revenue

96. A marketing researcher estimates that all the users and potential users of a special industrial tool might buy about \$600,000 worth next year. The marketing manager for one firm that sells the tools knows that her company sold \$80,000 worth of tools last year and that her profits will be about 10 percent of sales. The market potential in this case is probably about:

- A. \$16,000
- B. \$600,000
- C. \$80,000
- D. \$8,000

97. A good marketing manager knows that:

- A. market potential is an estimate of how much a firm can hope to sell to a particular market segment.
- B. sales forecasts should be developed BEFORE marketing strategies are planned.
- C. a firm's sales forecast probably will be less than the estimated market potential.
- D. sales forecasts are estimates of what a whole market segment might buy.
- E. All of the above are true.

98. A forecast of target market potential:

- A. Is an estimate of the expected conditions in the national economy.
- B. Is an estimate of what an individual firm expects to sell to a market segment.
- C. Is an estimate of what a whole market segment might buy.
- D. Is an estimate of the expected conditions in an industry.
- E. None of the above.

99. A retailer has estimated that her store has a market potential of about \$3 million for the coming year. From this information, we know that:

- A. the owner has not yet planned her marketing strategy for the coming year.
- B. the store will sell about \$3 million of goods and services during the coming year.
- C. the store's sales forecast is probably LESS than \$3 million.
- D. if the store maintains its present 20 percent market share, its competitors' sales should total about \$15 million.
- E. Both B and C are true.

100. Charles Mann, the manager of Sparkle Toothpaste, is estimating how many units of toothpaste his firm will be able to sell to young males in the 18-24 age group in his county. In short, he is
- A. preparing a revenue report.
 - B. making a sales forecast.
 - C. determining the market potential.
 - D. estimating customer loyalty.
 - E. determining the sales budget.
101. A marketing researcher estimates that during the next year a market's total purchases of a new product will be \$250,000. One firm expects to sell \$110,000 worth. It knows that its profits will be about 10 percent of its sales. This firm's sales forecast is:
- A. \$90,000
 - B. \$250,000
 - C. \$110,000
 - D. \$11,000
 - E. There is not enough information to tell.
102. A marketing manager knows that the current market potential for his company's product is close to \$1,000,000. He knows that the market is growing at about 20 percent a year, and that his firm usually wins about 25 percent of the total sales. A market analyst forecasts that the company should have \$800,000 in sales next year.
- A. The sales manager should worry that his competitors seem to be getting stronger.
 - B. The marketing manager should not make any plans based on the forecast, since he knows it must be way off.
 - C. The marketing manager should plan on selling less dollar volume next year.
 - D. The marketing manager should be disappointed that his sales are not projected to grow at a rate as fast as the market.
103. A national income forecast:
- A. eliminates the need for making industry sales forecasts.
 - B. usually shows very little about an individual firm's sales prospects.
 - C. usually must be developed by a marketing manager.
 - D. is a good starting point for forecasting industry and company sales.
 - E. All of the above.
104. Developing a sales forecast for a broad industry:
- A. is easier when a firm segments its product-markets very carefully.
 - B. is often very similar to developing a national income forecast.
 - C. is usually done by a marketing manager.
 - D. is relatively easy because computers can eliminate the "guess" work.
 - E. All of the above are true.
105. If you want to forecast the sales of one of your major products, your first step probably should be to:
- A. develop or obtain a national income forecast.
 - B. carefully estimate your costs at various sales levels.
 - C. develop company and product forecasts.
 - D. develop an industry sales forecast.

106. Which of the following depicts a common top-down approach to forecasting?

- A. Begin with a company's sales forecast for a specific market segment, then draw national and industry sales forecasts.
- B. Start with an industry forecast, then apply it to a specific company and its products, and subsequently draw a national income forecast.
- C. Start by developing a national income forecast; then use it to develop an industry sales forecast; then use it to develop forecasts for a specific company, its specific products, and the segments it targets.
- D. Start by developing a national income forecast, then develop a forecast for a specific company, which should lead to an industry sales forecast.
- E. None of the above.

107. _____ is a sales forecasting approach which extends past sales into the future.

- A. Future analysis
- B. Trend extension
- C. Input-output analysis
- D. Market potential analysis
- E. Market extension

108. Regarding sales forecasting:

- A. marketing managers usually develop their own national income and industry forecasts.
- B. trend extension cannot be used when past sales have varied.
- C. the final step should be to develop an industry sales forecast.
- D. trend extension assumes that past conditions will continue unchanged into the future.
- E. only one forecasting method should be used because different techniques give different forecasts.

109. Relying on trend extension approaches for forecasting sales is a lot like going down a river in a canoe and steering the canoe

- A. with help from radar equipment that detects obstacles before you get close to them.
- B. only when you encounter a waterfall.
- C. by looking backwards up the river.
- D. based on a detailed map of the river someone else has drawn.
- E. based on directions from others in the canoe who are looking ahead for rapids.

110. The weakness of the trend extension method is that it

- A. uses several factors, rather than just one.
- B. assumes the future will be really different from the past.
- C. assumes past conditions will continue unchanged into the future.
- D. fails to determine why sales vary.
- E. uses only population growth estimates.

111. For which of the following products would trend extension probably be MOST suitable for sales forecasting?

- A. Cars
- B. Equipment used to produce microcomputers
- C. Snow skis
- D. Industrial pollution control equipment
- E. Margarine

112. The marketing manager for an established retailer of men's clothing is developing a sales forecast for the coming year. The manager constructs a graph that shows the dollar sales for each of the previous ten years. He then draws a line on the graph that shows the general upward direction in which sales have moved over the ten-year period. He assumes that this general positive progression will continue into the next year, and uses that as the basis of his forecast. What method of sales forecasting does this manager seem to be using?
- A. Tries to extend past experience into the future.
 - B. Provides a historical record of the fluctuations in economic variables.
 - C. Relates the company's sales to the factor method and uses several factors together.
 - D. Combines the opinions of many key executives in an industry.
 - E. None of the above.
113. For years the trend in sales of disposable diapers moved closely with the number of new births. However, as the number of women in the work force increased and as more women returned to jobs after babies were born, use of disposable diapers rapidly increased. This is an example of
- A. the limitations of using the factor method.
 - B. estimating the target market potential.
 - C. a weakness of the trend extension method.
 - D. all of the above.
 - E. none of the above.
114. A _____ is a variable that shows the relation of some other variable to the item being forecast.
- A. constant
 - B. adjustable
 - C. factor
 - D. negotiable
 - E. subset
115. The factor method of sales forecasting tries to find a relation between the company's sales and:
- A. industry sales.
 - B. how much working capital it needs.
 - C. national income.
 - D. some other factor (or factors).
 - E. the company's marketing mix.
116. The factor method
- A. is something (past sales, industry sales, etc.) times some factor equals sales forecast.
 - B. is a simple extension of past sales.
 - C. is typically limited to just one factor.
 - D. assumes past conditions will continue unchanged into the future.
 - E. does not include variables such as population, income, and sales in a market.

117. A marketing manager who uses SALES AND MARKETING MANAGEMENT'S "Buying Power Index" (BPI) to forecast sales is using the:
- A. factor method (using several factors).
 - B. NAICS code method.
 - C. factor method (using one factor).
 - D. trend management method.
 - E. substitute method.
118. SALES & MARKETING MANAGEMENT'S "Buying Power Index" (BPI) reflects each geographic market's share of total U.S.:
- A. population.
 - B. income.
 - C. retail sales.
 - D. All of the above.
 - E. Only A and C above.
119. Sales & Marketing Management magazine's "Buying Power Index" is based on:
- A. each market's share of the total U.S. population.
 - B. each market's share of the total income in the United States.
 - C. each market's share of the total retail sales in the United States.
 - D. All of the above.
 - E. Only A and B above.
120. Tammy Patterson is the sales rep for an area with a "Buying Power Index" (BPI) of 0.4500. If her firm's national sales forecast is \$30,000,000, calculate a "reasonable" sales forecast for Tammy's area.
- A. \$900,000
 - B. \$90,000
 - C. \$666,666
 - D. \$135,000
 - E. \$1,350,000
121. Chris Peterson is a retail sales manager. He is trying to determine a sales forecast for his store, which is part of a national chain. The store Chris manages is the only one in the chain located in the Colorado Springs metro area. The chain's national sales forecast is \$45,000,000. The Buying Power Index (BPI) for Colorado Springs is 0.1994. What would be a reasonable sales forecast for Chris' store?
- A. \$897,300.
 - B. \$89,730.
 - C. \$8,973,000.
 - D. \$89,730,000.
 - E. Cannot be determined from the information provided.
122. In the "jury of executive opinion" method of forecasting:
- A. the main advantage is that its results are always very good.
 - B. each executive projects future trends, but does not extend of the past.
 - C. forecasters develop a combination of factors.
 - D. the combined opinions of experienced executives are used to reach a consensus.
 - E. none of the above.

123.The "jury-of-executive-opinion" approach to sales forecasting combines the opinions of experienced executives from:

- A. sales.
- B. purchasing.
- C. marketing.
- D. finance.
- E. any or all of the above.

124.The "jury-of-executive-opinion" approach to sales forecasting

- A. is less accurate than trend extension.
- B. can be done quickly.
- C. is effective even if the individual executives aren't very well informed.
- D. B and C are true.
- E. All of the above are true.

125.The "jury-of-executive-opinion" sales forecasting approach has an advantage in that:

- A. executives usually have excellent knowledge about all the outside market forces that may impact demand.
- B. no other quantitative estimates are necessary.
- C. a forecast can be obtained quickly and easily.
- D. past trends are usually ignored.
- E. trend extension is minimized.

126.AgriGrow, Inc. is an agricultural research firm that develops and markets seeds for fast-growth crops. This product-market is in the growth stage of the product life cycle--and sales depend not only on the right marketing mix but also on a variety of other concerns such as competitors' new products, the weather, and ever-changing Federal farm subsidy programs. The AgriGrow marketing manager wants to develop a sales forecast, and in this situation

- A. trend extension approaches are likely to yield the most accurate forecast.
- B. NAICS codes can be used as factors.
- C. the Survey of Buying Power (and the buying power index) should work well.
- D. a jury of executive opinion is probably the best bet.
- E. none of the above.

127.A research company was asked by a trade association to conduct a study that would forecast sales and other key trends in the office furniture industry for the next 10 years. The research company set up a series of interviews with key decision-makers who worked for office furniture producers, wholesalers, and retailers. The company combined the results of these interviews and tried to gain a consensus. The research firm was using:

- A. A market test.
- B. A consumer panel.
- C. A focus group.
- D. A jury of executive opinion.
- E. Factor method analysis.

128. Which of these are most likely to be familiar with customer reactions and what competitors are doing?
- A. A jury of executives
 - B. Salespeople
 - C. Corporate office managers
 - D. All of the above
 - E. None of the above
129. When salespeople engage in sales forecasting:
- A. They usually have less knowledge of customers and competitors than managers have.
 - B. Their estimates are less useful in business markets in which there are few customers.
 - C. They may not know much about their markets if they are relatively new salespeople.
 - D. They may make estimates that are too high if they think the sales manager will use the estimates to set sales quotas.
 - E. All of the above.
130. Which of the following sales forecasting methods would be most appropriate when intermediaries' reactions and competitors' activities are very important to sales?
- A. The factor method
 - B. Jury of executive opinion
 - C. Use of an industry sales forecast
 - D. Trend extension of past sales
 - E. Sales force estimates
131. Which of the following sales forecasting techniques would be most useful for the marketing manager of a business products manufacturer that already faces intense competition?
- A. Sales force estimates
 - B. Jury of executive opinion
 - C. Use of a national economic forecast
 - D. Trend extension of past sales
 - E. Multiple-factor method
132. Sales forecasting using the jury of executive opinion, sales force estimates, and/or market tests may be especially useful when:
- A. the company's marketing mix has changed a lot.
 - B. the company is introducing new products.
 - C. conditions are changing in the marketplace.
 - D. the company is in unstable, fluctuating markets.
 - E. All of the above.
133. To OBJECTIVELY estimate how sales to present customers may change because of possible marketing mix changes, a marketing manager should use:
- A. a jury of executive opinion.
 - B. a market test.
 - C. trend extension.
 - D. a sales force estimate.

134. A company which wants to objectively estimate the reaction of customers to possible changes in its marketing mix should use:
- A. trend extension.
 - B. jury of executive opinion.
 - C. sales force estimates.
 - D. surveys, panels, and market tests.
 - E. None of the above.

b Key

1. An operating statement is a simple summary of a company's assets, liabilities, and owners' equity at a particular time.
(p. 499)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #1
Question Type: Definition
Self-Test: No

2. The main purpose of an operating statement is to determine a company's net profit over a specified period of time--and present data to support that figure.
(p. 499)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #2
Question Type: Definition
Self-Test: No

3. The three main components of an operating statement are costs, assets, and profit.
(p. 500)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #3
Question Type: Definition
Self-Test: No

4. The three main components of an operating statement are sales, costs, and profit or loss.
(p. 500)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #4
Question Type: Definition
Self-Test: No

5. Monthly operating statements might be used to uncover unfavorable trends in sales, costs, and profit.
(p. 500)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #5
Question Type: Definition
Self-Test: No

6. Returns or allowances are subtracted from net sales to find gross sales on an operating statement.
(p. 500)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #6
Question Type: Definition
Self-Test: No

7. Net sales is the total value at cost of all the products sold during an operating period.
(p. 502)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #7
Question Type: Definition
Self-Test: No

8. The total value AT COST of all the products sold during an operating period is the cost of sales.
(p. 502)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #8
Question Type: Definition
Self-Test: No

9. "Cost of sales" equals the total value of all the products purchased during an operating period plus freight in.
(p. 502)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #9
Question Type: Definition
Self-Test: No

10. Gross margin (or gross profit) is the amount left over after the cost of sales is subtracted from net sales.
(p. 502)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #10
Question Type: Definition
Self-Test: No

11. Gross margin (or gross profit) is the amount left over after the cost of sales is subtracted from gross sales.
(p. 502)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #11
Question Type: Definition
Self-Test: No

12. A company's gross margin must cover all the costs of making and selling the products, and hopefully leave a reasonable net profit.
(p. 502)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #12
Question Type: Definition
Self-Test: No

13. The term "net profit" refers to the amount the company has earned from its operations during a particular period.
(p. 502)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #13
Question Type: Definition
Self-Test: No

14. Net sales and net profit are the same thing.
(p. 502)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #14
Question Type: Definition
Self-Test: No

15. The net cost of delivered purchases equals the original invoice cost of purchases plus purchase discounts minus freight charges.
(p. 503)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #15
Question Type: Definition
Self-Test: No

16. Purchase discounts should be subtracted from the original invoice cost of purchases to get the net cost of purchases.
(p. 503)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #16
Question Type: Definition
Self-Test: No

17. "Expenses" (on an operating statement) usually include the cost of sales--both purchased and produced.
(p. 502)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #17
Question Type: Definition
Self-Test: No

18. A measure of the number of times the average inventory is sold during a year is stockturn rate.
(p. 504)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #18
Question Type: Definition
Self-Test: No

19. The stockturn rate shows how rapidly a firm's inventory is moving.
(p. 504)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #19
Question Type: Definition
Self-Test: No

20. It is impossible for a firm's stockturn rate to equal 1.0.
(p. 505)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #20
Question Type: Definition
Self-Test: No

21. When calculating operating ratios from an operating statement, the denominator is usually net profit.
(p. 505)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #21
Question Type: Definition
Self-Test: No

22. Operating ratios (calculated from an operating statement) show various items from the statement as a percentage of net sales.
(p. 505)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #22
Question Type: Definition
Self-Test: No

23. Markups (expressed as a percentage of selling price) cannot be converted to markup percents expressed as a percentage of cost without knowing the actual selling price or the actual cost.
(p. 506-507)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #23
Question Type: Definition
Self-Test: No

24. A 33 1/3 percent markup on selling price equals a 50 percent markup on cost.
(p. 507)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #24
Question Type: Definition
Self-Test: No

25. A retailer's "markdown ratio" is calculated directly from its operating statement.
(p. 507)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #25
Question Type: Definition
Self-Test: No

26. Markdowns are generally considered to be due to business errors, while returns result from customer errors.
(p. 507-508)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #26
Question Type: Definition
Self-Test: No

27. Return on investment is a measure of the dollar resources the firm has invested in a project or business.
(p. 508)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #27
Question Type: Definition
Self-Test: No

28. The ROI ratio might be improved by earning at least the same net profit while reducing investment.
(p. 508)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #28
Question Type: Definition
Self-Test: No

29. Return on investment and return on assets are both measures of how effectively a firm uses its resources.
(p. 509)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #29
Question Type: Definition
Self-Test: No

30. Market potential refers to what a whole market segment might buy.
(p. 509)

TRUE

AACSB: 3 Analytical skills
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #30
Question Type: Definition
Self-Test: No

31. A sales forecast is an estimate of what a whole market segment will buy.
(p. 509)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #31
Question Type: Definition
Self-Test: No

32. A sales forecast is an estimate of how much an industry or firm hopes to sell to a market segment.
(p. 509)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #32
Question Type: Definition
Self-Test: No

33. Market potential refers to how much a whole market segment will buy while sales forecast refers to how much one firm hopes to sell to that market segment.
(p. 509)

TRUE

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #33
Question Type: Definition
Self-Test: No

34. When comparing the figures for market potential and sales forecast for the same market segment, the sales forecast figure should always be larger.
(p. 509)

FALSE

AACSB: 11 Analysis for decisions; 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #34
Question Type: Definition
Self-Test: No

35. When forecasting sales, a common approach is to develop a national income forecast, then an industry sales forecast, and finally specific company and product forecasts.
(p. 510)

TRUE

AACSB: 11 Analysis for decisions; 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #35
Question Type: Definition
Self-Test: No

36. Generally, a marketing manager doesn't have to make forecasts for a national economy or the broad industry.
(p. 510)

TRUE

AACSB: 3 Analytical skills
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #36
Question Type: Definition
Self-Test: No

37. Once a specific forecast is developed, we can ascertain why sales vary.
(p. 510)

FALSE

AACSB: 10 Org Dynamics; 9 Value creation
Chapter: B
Difficulty: Hard
LearnObj: 6
Perreault - Chapter Appendix... #37
Question Type: Definition
Self-Test: No

38. A weakness of the trend-extension method of sales forecasting is that it assumes past conditions will continue unchanged in the future.
(p. 510)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #38
Question Type: Definition
Self-Test: No

39. The factor method tries to forecast sales by finding a relation between the company's sales and some other factor (or factors).
(p. 511)

TRUE

AACSB: 10 Org Dynamics; 11 Analysis for decisions
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #39
Question Type: Definition
Self-Test: No

40. The basic formula used in the factor method of sales forecasting is: some variable, such as past sales, times some related factor equals the sales forecast.
(p. 511)

TRUE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #40
Question Type: Definition
Self-Test: No

41. The Sales and Marketing Management "Buying Power Index" is a measure of the potential in different geographic areas.
(p. 511)

TRUE

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #41
Question Type: Definition
Self-Test: No

42. Sales and Marketing Management's "Buying Power Index" is not very useful for sales forecasting because it only considers the population in markets.
(p. 511)

FALSE

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #42
Question Type: Definition
Self-Test: No

43. Sales forecasts based on Sales and Marketing Management's "Buying Power Index" assume that sales are related to a market's population, income, and retail sales.
(p. 511)

TRUE

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #43
Question Type: Definition
Self-Test: No

44. The factor method is widely used by producers of consumer products, but it isn't relevant for producers of business products.
(p. 511)

FALSE

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #44
Question Type: Definition
Self-Test: No

45. An auto manufacturer that bases its sales forecast on increases in population and income is using the "factor method."
(p. 511)

TRUE

AACSB: 11 Analysis for decisions; 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #45
Question Type: Definition
Self-Test: No

46. A major limitation of the factor method is that it does not allow several factors to be used together.
(p. 511)

FALSE

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #46
Question Type: Definition
Self-Test: No

47. Not all past economic or sales behavior can be neatly extended with a straight line or some manipulation.
(p. 513)

TRUE

AACSB: 10 Org Dynamics
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #47
Question Type: Definition
Self-Test: No

48. The "jury of executive opinion" method of sales forecasting combines the opinions of experienced executives in a firm.
(p. 513)

TRUE

AACSB: 11 Analysis for decisions; 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #48
Question Type: Definition
Self-Test: No

49. The main disadvantage of the "jury of executive opinion" method of sales forecasting is that it is very slow.
(p. 513)

FALSE

AACSB: 11 Analysis for decisions; 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #49
Question Type: Definition
Self-Test: No

50. The main advantage of the jury approach is that it can be done quickly and easily.
(p. 513)

TRUE

AACSB: 10 Org Dynamics; 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #50
Question Type: Definition
Self-Test: No

51. The likely reaction of customers to possible changes in a marketing mix can sometimes be estimated using market tests and surveys of final buyers.

(p. 513)

TRUE

AACSB: 11 Analysis for decisions; 9 Value creation
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #51
Question Type: Definition
Self-Test: No

52. The accuracy of any sales forecast depends on whether the firm selects and implements a marketing mix that turns these opportunities into sales and profits.

(p. 513)

TRUE

AACSB: 10 Org Dynamics
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #52
Question Type: Definition
Self-Test: No

53. The main purpose of the "operating statement" is to:

(p. 499)

- A. show which products or customers are most profitable.
- B. show the sources of sales data.
- C. calculate the net profit for the company.
- D. present data to support the net profit figure.
- E.** both C and D.

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #53
Question Type: Definition
Self-Test: No

54. The basic components of an operating statement are:

(p. 500)

- A. net sales, cost of sales, profit.
- B. gross sales, gross margin, expenses, net profit.
- C.** sales, costs, and profit or loss.
- D. sales, costs, and expenses.
- E. gross sales, gross margin, net profit.

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #54
Question Type: Definition
Self-Test: No

55. Ms. Treadway's athletic shoe store had gross sales of \$62,500 in January. Compute her NET SALES for the month from the following data.
(p. 501-502)

| | |
|----------------|---------|
| Sales returns | \$2,500 |
| Purchases | \$5,000 |
| Markdowns | \$2,000 |
| Stockturn rate | 3 |

- A. \$59,500
- B. \$5,500
- C. \$48,000
- D.** \$60,000
- E. \$3,500

AACSB: 8 Financial
Chapter: B
Difficulty: Medium
LearnObj: 1
Perreault - Chapter Appendix... #55
Question Type: Mathematical
Self-Test: No

56. Given the following information, calculate the firm's NET PROFIT (or LOSS).

(p. 501-502)

| | |
|------------------------|-----------|
| Returns and allowances | \$ 60,000 |
| Gross sales | \$460,000 |
| Cost of sales | \$200,000 |
| Expenses | \$100,000 |
| Gross margin | \$200,000 |

- A. \$ 85,000
- B.** \$100,000
- C. \$ 50,000
- D. \$160,000
- E. a loss of \$200,000

AACSB: 8 Financial
Chapter: B
Difficulty: Medium
LearnObj: 1
Perreault - Chapter Appendix... #56
Question Type: Mathematical
Self-Test: No

57. Given the following information, calculate the firm's COST OF SALES.

(p. 501-502)

| | |
|---------------------|-----------|
| Beginning inventory | \$ 50,000 |
| Purchase discounts | \$ 10,000 |
| Ending inventory | \$ 60,000 |
| Purchases | \$200,000 |
| Freight-in | \$ 10,000 |

- A. \$180,000
- B. \$285,000
- C. \$190,000**
- D. \$120,000
- E. Cannot be determined without knowing the firm's net sales.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium

LearnObj: 1

Perreault - Chapter Appendix... #57

Question Type: Mathematical

Self-Test: No

58. Regarding operating statements:

(p. 502)

- A. gross sales are the actual sales dollars the company will receive.
- B. net sales minus expenses equals the cost of sales.
- C. "gross sales" minus expenses equals the cost of sales.
- D. gross margin equals expenses plus net profit.**
- E. gross margin is the money left after all expenses are subtracted from net sales.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium

LearnObj: 1

Perreault - Chapter Appendix... #58

Question Type: Integrating

Self-Test: No

59. When a firm subtracts its cost of sales from its net sales, the amount left over is called:

(p. 502)

- A. gross margin.**
- B. return on assets.
- C. net profit.
- D. expenses.
- E. gross sales.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium

LearnObj: 1

Perreault - Chapter Appendix... #59

Question Type: Definition

Self-Test: No

60. Stockturn rate equals:

(p. 505)

- A. net sales minus gross margin divided by average inventory at retail.
- B. cost of sales divided by average inventory at cost.
- C. net sales divided by an average inventory at selling price.
- D. sales in units divided by average inventory in units.
- E.** All of the above EXCEPT A.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 2

Perreault - Chapter Appendix... #60
Question Type: Definition
Self-Test: No

61. The cost of sales for a company is \$400,000 and its net sales are \$800,000. What would its stockturn rate be if its average inventory at cost is \$100,000?

(p. 505)

- A. 3
- B. 2
- C. 1
- D. 8
- E.** 4

AACSB: 8 Financial
Chapter: B

Difficulty: Easy
LearnObj: 2

Perreault - Chapter Appendix... #61
Question Type: Mathematical
Self-Test: No

62. A farm supply store starting with a \$40,000 inventory at cost expects to sell \$400,000 (cost of sales) of merchandise in the coming year. It plans to turn over its stock 10 times during the year. How much merchandise must the shop purchase during the year?

(p. 505)

- A. \$200,000
- B.** \$400,000
- C. \$420,000
- D. \$440,000
- E. None of the above.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 2

Perreault - Chapter Appendix... #62
Question Type: Mathematical
Self-Test: No

63. What net sales are required to obtain a stockturn rate of 5--given an average inventory at cost of \$100,000 and a gross margin of 50 percent?

(p. 505)

- A. \$100,000
- B. \$1,500,000
- C. \$600,000
- D.** \$1,000,000
- E. \$400,000

AACSB: 8 Financial

Chapter: B

Difficulty: Hard

LearnObj: 2

Perreault - Chapter Appendix... #63

Question Type: Mathematical

Self-Test: No

64. Given the following information, calculate the firm's stockturn rate.

(p. 505)

| | |
|---------------------------|-----------|
| Net sales | \$480,000 |
| Gross margin % | 50% |
| Average inventory at cost | \$ 40,000 |

- A. 7
- B. 10
- C. 3
- D.** 6
- E. Cannot be determined from data given.

AACSB: 8 Financial

Chapter: B

Difficulty: Medium

LearnObj: 2

Perreault - Chapter Appendix... #64

Question Type: Mathematical

Self-Test: No

65. Which of the following statements about operating ratios (which can be calculated from operating statements) is TRUE?

(p. 505)

- A. By comparing operating ratios from one period to another, a firm can identify areas that may need special attention.
- B. These ratios are often used for control purposes.
- C. These ratios are calculated by dividing operating statement items by net sales.
- D. By comparing its operating ratios with competitors' ratios, a firm may be able to obtain a better idea of how it is doing.
- E.** All of the above are true.

AACSB: 8 Financial

Chapter: B

Difficulty: Easy

LearnObj: 3

Perreault - Chapter Appendix... #65

Question Type: Comprehension

Self-Test: No

66. If net sales on the operating statement for Brandywine Company were \$200,000--and gross sales were \$240,000--what would the cost of sales be if the gross margin was 20 percent?

(p. 506)

- A. \$140,000
- B. \$168,000
- C. \$160,000**
- D. \$120,000
- E. Cannot be determined without knowing Brandywine's expenses and net profit.

AACSB: 8 Financial

Chapter: B

Difficulty: Medium

LearnObj: 3

Perreault - Chapter Appendix... #66

Question Type: Mathematical

Self-Test: No

67. True Blue, Inc.--which had a net profit of \$200,000 last year--had a gross margin of 40 percent and expenses of 30 percent. What were its net sales in dollars?

(p. 506)

- A. \$700,000
- B. \$2,000,000**
- C. \$1,000,000
- D. \$800,000
- E. Cannot be determined with data given.

AACSB: 8 Financial

Chapter: B

Difficulty: Easy

LearnObj: 3

Perreault - Chapter Appendix... #67

Question Type: Mathematical

Self-Test: No

68. If a wholesaler takes a 33.3 percent markup on selling price, what is the approximate markup on cost?

(p. 507)

- A. 80%
- B. 50%**
- C. 20%
- D. 100%
- E. 33%

AACSB: 8 Financial

Chapter: B

Difficulty: Medium

LearnObj: 4

Perreault - Chapter Appendix... #68

Question Type: Mathematical

Self-Test: No

69. If a wholesaler's markup on selling price is 50 percent, what is the markup on cost?

(p. 507)

- A. 33 1/3%
- B. 66 2/3%
- C. 50%
- D. 100%**
- E. Cannot be determined without knowing the dollar amount of the markup.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 4

Perreault - Chapter Appendix... #69
Question Type: Mathematical
Self-Test: No

70. In making a purchase from a wholesaler, a retailer is told that a certain item will earn a 100 percent markup on cost. What markup on selling price will this be?

(p. 507)

- A. 75%
- B. 100%
- C. 66 2/3%
- D. 200%
- E. 50%**

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 4

Perreault - Chapter Appendix... #70
Question Type: Mathematical
Self-Test: No

71. If a wholesaler takes a 50 percent markup on its cost, this is equal to a _____ markup on selling price.

(p. 507)

- A. 33 1/3%**
- B. 200%
- C. 100%
- D. 20%
- E. 50%

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 4

Perreault - Chapter Appendix... #71
Question Type: Mathematical
Self-Test: No

72. (p. 507) Aiwa Industries sells directly to auto parts retailers and is trying to set a price on a radar detector so that its retailers can sell it for \$100. If the retailers need a 30 percent markup--and Aiwa can produce the item for \$35--what markup could Aiwa take for itself?

- A. 35%
- B. 100%
- C. 30%
- D. 70%
- E.** 50%

AACSB: 8 Financial

Chapter: B

Difficulty: Hard

LearnObj: 4

Perreault - Chapter Appendix... #72

Question Type: Mathematical

Self-Test: No

73. (p. 507) A hardware retailer who seeks a markup of 50 percent recently bought a new item for \$15.00. To determine its selling price, it should add _____ to this cost.

- A. \$40.00
- B. \$80.00
- C. \$10.00
- D. \$20.00
- E.** \$15.00

AACSB: 8 Financial

Chapter: B

Difficulty: Hard

LearnObj: 4

Perreault - Chapter Appendix... #73

Question Type: Mathematical

Self-Test: No

74. (p. 507) A drugstore buys toothpaste from its wholesaler for \$30.00 a case. This retailer uses a 25 percent markup. The retail selling price for a case of the toothpaste will be:

- A. \$37.50
- B. \$120.00
- C.** \$40.00
- D. \$22.50
- E. There is not enough information to tell.

AACSB: 8 Financial

Chapter: B

Difficulty: Medium

LearnObj: 4

Perreault - Chapter Appendix... #74

Question Type: Mathematical

Self-Test: No

75. Markdowns:
(p. 507)

- A. do not affect the profits of a business.
- B.** are not shown on an operating statement.
- C. are similar to allowances--and are subtracted from gross sales on an operating statement.
- D. are generally caused by "consumer errors."
- E. All of the above.

AACSB: 8 Financial
Chapter: B
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #75
Question Type: Comprehension
Self-Test: No

76. Regarding markdowns, which of the following statements is TRUE?
(p. 507)

- A. The markdown ratio is calculated by dividing the sum of markdowns and allowances by net sales.
- B. Markdowns are required because customers will not buy at the original marked-up price.
- C. Markdowns are generally considered to be due to "business errors."
- D. Gross margins are roughly equal to markdowns.
- E.** All are true EXCEPT D.

AACSB: 8 Financial
Chapter: B
Difficulty: Medium
LearnObj: 4
Perreault - Chapter Appendix... #76
Question Type: Comprehension
Self-Test: No

77. Regarding "operating statements," which of the following statements is FALSE?
(p. 508)

- A. Stockturn rate can be calculated directly from a detailed operating statement.
- B. Gross margin must be larger than expenses for a business to make a profit.
- C. By comparing the results from one statement to another, management can see trends.
- D. The markdown ratio cannot be calculated directly from a detailed operating statement.
- E.** The purpose of the operating statement is to determine the firm's ROI and ROA.

AACSB: 8 Financial
Chapter: B
Difficulty: Hard
LearnObj: 5
Perreault - Chapter Appendix... #77
Question Type: Integrating
Self-Test: No

78. "Return on investment" means:
(p. 508)

- A. sales divided by investment.
- B. investment divided by net sales.
- C. net profit before taxes divided by the assets used to make the profit.
- D.** net profit after taxes divided by the investment used to make the profit.
- E. None of the above.

AACSB: 8 Financial
Chapter: B
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #78
Question Type: Definition
Self-Test: No

79. Which of the following would NOT be shown on a firm's "balance sheet"?
(p. 508)

- A. Liabilities
- B. Net worth
- C. Assets
- D.** Net sales
- E. All of the above would be on a firm's balance sheet.

AACSB: 8 Financial
Chapter: B

Difficulty: Easy
LearnObj: 5

Perreault - Chapter Appendix... #79
Question Type: Definition
Self-Test: No

80. Given the following information, calculate the firm's "return on investment" (ROI).
(p. 508)

Net sales: \$20,000,000
Net profit (after taxes): \$500,000
Investment: \$10,000,000

- A. 20%
- B. 50%
- C. 10%
- D. 2.5%
- E.** 5%

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 5

Perreault - Chapter Appendix... #80
Question Type: Mathematical
Self-Test: No

81. Other things equal, a firm can increase return on investment (ROI) by:
(p. 508)

- A. decreasing investment.
- B. reducing expenses.
- C. increasing profit margins.
- D. increasing net sales.
- E.** Any of the above.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 5

Perreault - Chapter Appendix... #81
Question Type: Comprehension
Self-Test: No

Use the information below to answer the following questions that refer to Table B-1.

Table B-1

| | |
|---------------------|-----------|
| Gross sales | \$650,000 |
| Returns | \$ 40,000 |
| Allowances | \$ 10,000 |
| Markdowns | \$ 20,000 |
| Beginning inventory | \$ 50,000 |
| Ending inventory | \$ 30,000 |
| Expenses | 25% |
| Stockturn rate | 10 |
| Investment | \$250,000 |

Perreault - Chapter Appendix...

82. Based on the information in Table B-1, net sales are:

(p. 501-502)

- A. \$560,000.
- B. \$530,000.
- C. \$650,000.
- D. \$610,000.
- E.** \$600,000.

AACSB: 8 Financial

Chapter: B

Difficulty: Easy

LearnObj: 1

Perreault - Chapter Appendix... #82

Question Type: Mathematical

Self-Test: No

83. Based on the information in Table B-1, and given that the stockturn rate is 10, the cost of sales is:

(p. 501-502)

- A.** \$400,000.
- B. \$70,000.
- C. \$60,000.
- D. \$65,000.

AACSB: 8 Financial

Chapter: B

Difficulty: Hard

LearnObj: 1, 2

Perreault - Chapter Appendix... #83

Question Type: Mathematical

Self-Test: No

84. Based on the information in Table B-1, the gross margin is:

(p. 501-502)

- A.** \$200,000.
- B. \$175,000.
- C. \$250,000.
- D. \$320,000.
- E. \$130,000.

AACSB: 8 Financial

Chapter: B

Difficulty: Hard

LearnObj: 1

Perreault - Chapter Appendix... #84

Question Type: Mathematical

Self-Test: No

85. Based on the information in Table B-1, the net profit is:

(p. 501-502)

- A. \$50,000.
- B. \$120,000.
- C. a loss of \$75,000.
- D. \$215,000.
- E. \$85,000.

AACSB: 8 Financial
Chapter: B

Difficulty: Hard
LearnObj: 1

Perreault - Chapter Appendix... #85
Question Type: Mathematical
Self-Test: No

86. Based on the information in Table B-1, the markdown ratio is:

(p. 507)

- A. 20%.
- B. 25%.
- C. 15%.
- D. 5%.
- E. 10%.

AACSB: 8 Financial
Chapter: B

Difficulty: Hard
LearnObj: 4

Perreault - Chapter Appendix... #86
Question Type: Mathematical
Self-Test: No

87. Based on the information in Table B-1, and assuming a 50 percent tax on net profit, the return on investment is:

(p. 508)

- A. 12.3%.
- B. 25.0%.
- C. 9.9%.
- D. 10.0%.
- E. The return is negative because the firm had a loss.

AACSB: 8 Financial
Chapter: B

Difficulty: Hard
LearnObj: 5

Perreault - Chapter Appendix... #87
Question Type: Mathematical
Self-Test: No

Use the information below to answer the following questions that refer to Table B-2.

Table B-2

| | |
|---------------------|-----------|
| Gross sales | \$240,000 |
| Returns | \$ 20,000 |
| Allowances | \$ 20,000 |
| Gross margin | 25% |
| Beginning inventory | \$ 50,000 |
| Ending inventory | \$ 50,000 |
| Expenses | \$ 40,000 |
| Markdowns | \$ 30,000 |
| Investment | \$ 50,000 |

Perreault - Chapter Appendix...

88. Based on the information in Table B-2, net sales are:

(p. 502-504)

- A. \$140,000.
- B. \$155,000.
- C. \$200,000.**
- D. \$180,000.
- E. \$220,000.

AACSB: 8 Financial
Chapter: B

Difficulty: Easy
LearnObj: 1

Perreault - Chapter Appendix... #88
Question Type: Mathematical
Self-Test: No

89. Based on the information in Table B-2, and given that the gross margin percent is 25%, what is the cost of sales?

(p. 502-504)

- A. \$75,000.
- B. \$150,000.**
- C. \$55,000.
- D. \$12,500.
- E. \$50,000.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 1

Perreault - Chapter Appendix... #89
Question Type: Mathematical
Self-Test: No

90. Based on the information in Table B-2, the stockturn rate is:

(p. 504-505)

- A. 4.
- B. 5.
- C. 3.**
- D. 1.
- E. 2.

AACSB: 8 Financial
Chapter: B

Difficulty: Medium
LearnObj: 2

Perreault - Chapter Appendix... #90
Question Type: Mathematical
Self-Test: No

91. Based on the information in Table B-2, the net profit is:

(p. 502,504)

- A. \$15,500.
- B. \$10,000.**
- C. \$65,000.
- D. \$23,000.
- E. a loss of \$90,000.

AACSB: 8 Financial
Chapter: B

Difficulty: Hard
LearnObj: 1

Perreault - Chapter Appendix... #91
Question Type: Mathematical
Self-Test: No

92. Based on the information in Table B-2, the markdown ratio is:

(p. 504,507)

- A. 33.3%.
- B. 18.1%.
- C. 9.5%.
- D. 16.7%.
- E. 25.0%.**

AACSB: 8 Financial
Chapter: B

Difficulty: Hard
LearnObj: 4

Perreault - Chapter Appendix... #92
Question Type: Mathematical
Self-Test: No

93. Based on the information in Table B-2, and assuming a 50 percent tax on net profit, the return on investment (ROI) is:

(p. 504,508)

- A. 10%.**
- B. 20%.
- C. 15%.
- D. 5%.
- E. the return is negative because the business lost money.

AACSB: 8 Financial
Chapter: B

Difficulty: Hard
LearnObj: 5

Perreault - Chapter Appendix... #93
Question Type: Mathematical
Self-Test: No

94. "Market potential" is:

(p. 509)

- A. what a whole market segment might buy.**
- B. how much a firm hopes to sell to a market segment.
- C. how much an industry hopes to sell to a market segment.
- D. an estimate of the national income for the coming year.
- E. All of the above.

AACSB: 13 Economic environments
Chapter: B

Difficulty: Easy
LearnObj: 6

Perreault - Chapter Appendix... #94
Question Type: Definition
Self-Test: No

95. _____ is what a whole market segment might buy.

(p. 509)

- A. Market segment
- B. Sales forecast
- C. Market potential**
- D. Market strategy
- E. Sales revenue

AACSB: 3 Analytical skills
Chapter: B

Difficulty: Easy
LearnObj: 6

Perreault - Chapter Appendix... #95
Question Type: Definition
Self-Test: No

96. (p. 509) A marketing researcher estimates that all the users and potential users of a special industrial tool might buy about \$600,000 worth next year. The marketing manager for one firm that sells the tools knows that her company sold \$80,000 worth of tools last year and that her profits will be about 10 percent of sales. The market potential in this case is probably about:

- A. \$16,000
- B. \$600,000**
- C. \$80,000
- D. \$8,000

AACSB: 3 Analytical skills
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #96
Question Type: Application
Self-Test: No

97. (p. 509) A good marketing manager knows that:

- A. market potential is an estimate of how much a firm can hope to sell to a particular market segment.
- B. sales forecasts should be developed BEFORE marketing strategies are planned.
- C. a firm's sales forecast probably will be less than the estimated market potential.**
- D. sales forecasts are estimates of what a whole market segment might buy.
- E. All of the above are true.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #97
Question Type: Comprehension
Self-Test: No

98. (p. 509) A forecast of target market potential:

- A. Is an estimate of the expected conditions in the national economy.
- B. Is an estimate of what an individual firm expects to sell to a market segment.
- C. Is an estimate of what a whole market segment might buy.**
- D. Is an estimate of the expected conditions in an industry.
- E. None of the above.

AACSB: 10 Org Dynamics
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #98
Question Type: Definition
Self-Test: No

99. A retailer has estimated that her store has a market potential of about \$3 million for the coming year.
(p. 509) From this information, we know that:
- A. the owner has not yet planned her marketing strategy for the coming year.
 - B. the store will sell about \$3 million of goods and services during the coming year.
 - C.** the store's sales forecast is probably LESS than \$3 million.
 - D. if the store maintains its present 20 percent market share, its competitors' sales should total about \$15 million.
 - E. Both B and C are true.

AACSB: 10 Org Dynamics
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #99
Question Type: Comprehension
Self-Test: No

100. Charles Mann, the manager of Sparkle Toothpaste, is estimating how many units of toothpaste his firm
(p. 509) will be able to sell to young males in the 18-24 age group in his county. In short, he is
- A. preparing a revenue report.
 - B.** making a sales forecast.
 - C. determining the market potential.
 - D. estimating customer loyalty.
 - E. determining the sales budget.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #100
Question Type: Comprehension
Self-Test: No

101. A marketing researcher estimates that during the next year a market's total purchases of a new product
(p. 509) will be \$250,000. One firm expects to sell \$110,000 worth. It knows that its profits will be about 10 percent of its sales. This firm's sales forecast is:
- A. \$90,000
 - B. \$250,000
 - C.** \$110,000
 - D. \$11,000
 - E. There is not enough information to tell.

AACSB: 3 Analytical skills
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #101
Question Type: Application
Self-Test: No

102. A marketing manager knows that the current market potential for his company's product is close to \$1,000,000. He knows that the market is growing at about 20 percent a year, and that his firm usually wins about 25 percent of the total sales. A market analyst forecasts that the company should have \$800,000 in sales next year.

(p. 509)

- A. The sales manager should worry that his competitors seem to be getting stronger.
- B.** The marketing manager should not make any plans based on the forecast, since he knows it must be way off.
- C. The marketing manager should plan on selling less dollar volume next year.
- D. The marketing manager should be disappointed that his sales are not projected to grow at a rate as fast as the market.

AACSB: 6. Reflective thinking

Chapter: B

Difficulty: Medium

LearnObj: 6

Perreault - Chapter Appendix... #102

Question Type: Application

Self-Test: No

103. A national income forecast:

(p. 510)

- A. eliminates the need for making industry sales forecasts.
- B. usually shows very little about an individual firm's sales prospects.
- C. usually must be developed by a marketing manager.
- D.** is a good starting point for forecasting industry and company sales.
- E. All of the above.

AACSB: 11 Analysis for decisions

Chapter: B

Difficulty: Medium

LearnObj: 6

Perreault - Chapter Appendix... #103

Question Type: Comprehension

Self-Test: No

104. Developing a sales forecast for a broad industry:

(p. 510)

- A. is easier when a firm segments its product-markets very carefully.
- B.** is often very similar to developing a national income forecast.
- C. is usually done by a marketing manager.
- D. is relatively easy because computers can eliminate the "guess" work.
- E. All of the above are true.

AACSB: 10 Org Dynamics

Chapter: B

Difficulty: Easy

LearnObj: 6

Perreault - Chapter Appendix... #104

Question Type: Comprehension

Self-Test: No

105. If you want to forecast the sales of one of your major products, your first step probably should be to:
(p. 510)

- A. develop or obtain a national income forecast.
- B. carefully estimate your costs at various sales levels.
- C. develop company and product forecasts.
- D. develop an industry sales forecast.

AACSB: 10 Org Dynamics; 9 Value creation
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #105
Question Type: Application
Self-Test: No

106. Which of the following depicts a common top-down approach to forecasting?
(p. 510)

- A. Begin with a company's sales forecast for a specific market segment, then draw national and industry sales forecasts.
- B. Start with an industry forecast, then apply it to a specific company and its products, and subsequently draw a national income forecast.
- C. Start by developing a national income forecast; then use it to develop an industry sales forecast; then use it to develop forecasts for a specific company, its specific products, and the segments it targets.
- D. Start by developing a national income forecast, then develop a forecast for a specific company, which should lead to an industry sales forecast.
- E. None of the above.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #106
Question Type: Comprehension
Self-Test: No

107. _____ is a sales forecasting approach which extends past sales into the future.
(p. 510)

- A. Future analysis
- B. Trend extension
- C. Input-output analysis
- D. Market potential analysis
- E. Market extension

AACSB: 10 Org Dynamics; 9 Value creation
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #107
Question Type: Definition
Self-Test: No

108. Regarding sales forecasting:

(p. 510)

- A. marketing managers usually develop their own national income and industry forecasts.
- B. trend extension cannot be used when past sales have varied.
- C. the final step should be to develop an industry sales forecast.
- D.** trend extension assumes that past conditions will continue unchanged into the future.
- E. only one forecasting method should be used because different techniques give different forecasts.

AACSB: 10 Org Dynamics; 11 Analysis for decisions

Chapter: B

Difficulty: Medium

LearnObj: 6

Perreault - Chapter Appendix... #108

Question Type: Integrating

Self-Test: No

109. Relying on trend extension approaches for forecasting sales is a lot like going down a river in a canoe and steering the canoe

(p. 510)

- A. with help from radar equipment that detects obstacles before you get close to them.
- B. only when you encounter a waterfall.
- C.** by looking backwards up the river.
- D. based on a detailed map of the river someone else has drawn.
- E. based on directions from others in the canoe who are looking ahead for rapids.

AACSB: 11 Analysis for decisions

Chapter: B

Difficulty: Hard

LearnObj: 6

Perreault - Chapter Appendix... #109

Question Type: Comprehension

Self-Test: No

110. The weakness of the trend extension method is that it

(p. 510)

- A. uses several factors, rather than just one.
- B. assumes the future will be really different from the past.
- C.** assumes past conditions will continue unchanged into the future.
- D. fails to determine why sales vary.
- E. uses only population growth estimates.

AACSB: 11 Analysis for decisions

Chapter: B

Difficulty: Medium

LearnObj: 6

Perreault - Chapter Appendix... #110

Question Type: Definition

Self-Test: No

111. For which of the following products would trend extension probably be MOST suitable for sales forecasting?
(p. 510)

- A. Cars
- B. Equipment used to produce microcomputers
- C. Snow skis
- D. Industrial pollution control equipment
- E. Margarine

AACSB: 10 Org Dynamics; 6. Reflective thinking
Chapter: B
Difficulty: Hard
LearnObj: 6
Perreault - Chapter Appendix... #111
Question Type: Application
Self-Test: No

112. The marketing manager for an established retailer of men's clothing is developing a sales forecast for the coming year. The manager constructs a graph that shows the dollar sales for each of the previous ten years. He then draws a line on the graph that shows the general upward direction in which sales have moved over the ten-year period. He assumes that this general positive progression will continue into the next year, and uses that as the basis of his forecast. What method of sales forecasting does this manager seem to be using?

- A. Tries to extend past experience into the future.
- B. Provides a historical record of the fluctuations in economic variables.
- C. Relates the company's sales to the factor method and uses several factors together.
- D. Combines the opinions of many key executives in an industry.
- E. None of the above.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #112
Question Type: Comprehension
Self-Test: No

113. For years the trend in sales of disposable diapers moved closely with the number of new births. However, as the number of women in the work force increased and as more women returned to jobs after babies were born, use of disposable diapers rapidly increased. This is an example of
(p. 510-511)

- A. the limitations of using the factor method.
- B. estimating the target market potential.
- C. a weakness of the trend extension method.
- D. all of the above.
- E. none of the above.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Hard
LearnObj: 6
Perreault - Chapter Appendix... #113
Question Type: Comprehension
Self-Test: No

114. A _____ is a variable that shows the relation of some other variable to the item being forecast.
(p. 511)
- A. constant
 - B. adjustable
 - C. factor**
 - D. negotiable
 - E. subset

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #114
Question Type: Definition
Self-Test: No

115. The factor method of sales forecasting tries to find a relation between the company's sales and:
(p. 511)
- A. industry sales.
 - B. how much working capital it needs.
 - C. national income.
 - D. some other factor (or factors).**
 - E. the company's marketing mix.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #115
Question Type: Definition
Self-Test: No

116. The factor method
(p. 511)
- A. is something (past sales, industry sales, etc.) times some factor equals sales forecast.**
 - B. is a simple extension of past sales.
 - C. is typically limited to just one factor.
 - D. assumes past conditions will continue unchanged into the future.
 - E. does not include variables such as population, income, and sales in a market.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #116
Question Type: Definition
Self-Test: No

117. A marketing manager who uses SALES AND MARKETING MANAGEMENT'S "Buying Power Index" (BPI) to forecast sales is using the:
(p. 511)
- A. factor method (using several factors).**
 - B. NAICS code method.
 - C. factor method (using one factor).
 - D. trend management method.
 - E. substitute method.

AACSB: 10 Org Dynamics; 11 Analysis for decisions; 8 Financial
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #117
Question Type: Application
Self-Test: No

118. SALES & MARKETING MANAGEMENT'S "Buying Power Index" (BPI) reflects each geographic market's share of total U.S.:

(p. 511)

- A. population.
- B. income.
- C. retail sales.
- D.** All of the above.
- E. Only A and C above.

AACSB: 10 Org Dynamics; 11 Analysis for decisions
Chapter: B
Difficulty: Hard
LearnObj: 6
Perreault - Chapter Appendix... #118
Question Type: Comprehension
Self-Test: No

119. Sales & Marketing Management magazine's "Buying Power Index" is based on:

(p. 511)

- A. each market's share of the total U.S. population.
- B. each market's share of the total income in the United States.
- C. each market's share of the total retail sales in the United States.
- D.** All of the above.
- E. Only A and B above.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #119
Question Type: Comprehension
Self-Test: No

120. Tammy Patterson is the sales rep for an area with a "Buying Power Index" (BPI) of 0.4500. If her firm's national sales forecast is \$30,000,000, calculate a "reasonable" sales forecast for Tammy's area.

(p. 511)

- A. \$900,000
- B. \$90,000
- C. \$666,666
- D.** \$135,000
- E. \$1,350,000

AACSB: 11 Analysis for decisions; 8 Financial
Chapter: B
Difficulty: Hard
LearnObj: 6
Perreault - Chapter Appendix... #120
Question Type: Mathematical
Self-Test: No

121. Chris Peterson is a retail sales manager. He is trying to determine a sales forecast for his store, which is part of a national chain. The store Chris manages is the only one in the chain located in the Colorado Springs metro area. The chain's national sales forecast is \$45,000,000. The Buying Power Index (BPI) for Colorado Springs is 0.1994. What would be a reasonable sales forecast for Chris' store?

(p. 511)

- A. \$897,300.
- B. \$89,730.**
- C. \$8,973,000.
- D. \$89,730,000.
- E. Cannot be determined from the information provided.

AACSB: 11 Analysis for decisions

Chapter: B

Difficulty: Easy

LearnObj: 6

Perreault - Chapter Appendix... #121

Question Type: Comprehension; Mathematical

Self-Test: No

122. In the "jury of executive opinion" method of forecasting:

(p. 513)

- A. the main advantage is that its results are always very good.
- B. each executive projects future trends, but does no extending of the past.
- C. forecasters develop a combination of factors.
- D. the combined opinions of experienced executives are used to reach a consensus.**
- E. none of the above.

AACSB: 11 Analysis for decisions

Chapter: B

Difficulty: Medium

LearnObj: 6

Perreault - Chapter Appendix... #122

Question Type: Definition

Self-Test: No

123. The "jury-of-executive-opinion" approach to sales forecasting combines the opinions of experienced executives from:

(p. 513)

- A. sales.
- B. purchasing.
- C. marketing.
- D. finance.
- E. any or all of the above.**

AACSB: 11 Analysis for decisions; 9 Value creation

Chapter: B

Difficulty: Easy

LearnObj: 6

Perreault - Chapter Appendix... #123

Question Type: Definition

Self-Test: No

124. The "jury-of-executive-opinion" approach to sales forecasting

(p. 513)

- A. is less accurate than trend extension.
- B. can be done quickly.**
- C. is effective even if the individual executives aren't very well informed.
- D. B and C are true.
- E. All of the above are true.

AACSB: 11 Analysis for decisions; 9 Value creation
Chapter: B
Difficulty: Medium
LearnObj: 6
Perreault - Chapter Appendix... #124
Question Type: Comprehension
Self-Test: No

125. The "jury-of-executive-opinion" sales forecasting approach has an advantage in that:

(p. 513)

- A. executives usually have excellent knowledge about all the outside market forces that may impact demand.
- B. no other quantitative estimates are necessary.
- C. a forecast can be obtained quickly and easily.**
- D. past trends are usually ignored.
- E. trend extension is minimized.

AACSB: 11 Analysis for decisions; 9 Value creation
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #125
Question Type: Comprehension
Self-Test: No

126. AgriGrow, Inc. is an agricultural research firm that develops and markets seeds for fast-growth crops.

(p. 513)

This product-market is in the growth stage of the product life cycle--and sales depend not only on the right marketing mix but also on a variety of other concerns such as competitors' new products, the weather, and ever-changing Federal farm subsidy programs. The AgriGrow marketing manager wants to develop a sales forecast, and in this situation

- A. trend extension approaches are likely to yield the most accurate forecast.
- B. NAICS codes can be used as factors.
- C. the Survey of Buying Power (and the buying power index) should work well.
- D. a jury of executive opinion is probably the best bet.**
- E. none of the above.

AACSB: 11 Analysis for decisions; 9 Value creation
Chapter: B
Difficulty: Hard
LearnObj: 6
Perreault - Chapter Appendix... #126
Question Type: Application
Self-Test: No

127. (p. 513) A research company was asked by a trade association to conduct a study that would forecast sales and other key trends in the office furniture industry for the next 10 years. The research company set up a series of interviews with key decision-makers who worked for office furniture producers, wholesalers, and retailers. The company combined the results of these interviews and tried to gain a consensus. The research firm was using:

- A. A market test.
- B. A consumer panel.
- C. A focus group.
- D. A jury of executive opinion.**
- E. Factor method analysis.

AACSB: 11 Analysis for decisions
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #127
Question Type: Comprehension
Self-Test: No

128. (p. 513) Which of these are most likely to be familiar with customer reactions and what competitors are doing?

- A. A jury of executives
- B. Salespeople**
- C. Corporate office managers
- D. All of the above
- E. None of the above

AACSB: 10 Org Dynamics
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #128
Question Type: Definition
Self-Test: No

129. (p. 513) When salespeople engage in sales forecasting:

- A. They usually have less knowledge of customers and competitors than managers have.
- B. Their estimates are less useful in business markets in which there are few customers.
- C. They may not know much about their markets if they are relatively new salespeople.**
- D. They may make estimates that are too high if they think the sales manager will use the estimates to set sales quotas.
- E. All of the above.

AACSB: 10 Org Dynamics; 9 Value creation
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #129
Question Type: Definition
Self-Test: No

130. Which of the following sales forecasting methods would be most appropriate when intermediaries' reactions and competitors' activities are very important to sales?
(p. 513)

- A. The factor method
- B. Jury of executive opinion
- C. Use of an industry sales forecast
- D. Trend extension of past sales
- E. Sales force estimates**

AACSB: 10 Org Dynamics; 9 Value creation
Chapter: B
Difficulty: Hard
LearnObj: 6
Perreault - Chapter Appendix... #130
Question Type: Application
Self-Test: No

131. Which of the following sales forecasting techniques would be most useful for the marketing manager of a business products manufacturer that already faces intense competition?
(p. 513)

- A. Sales force estimates**
- B. Jury of executive opinion
- C. Use of a national economic forecast
- D. Trend extension of past sales
- E. Multiple-factor method

AACSB: 10 Org Dynamics; 9 Value creation
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #131
Question Type: Application
Self-Test: No

132. Sales forecasting using the jury of executive opinion, sales force estimates, and/or market tests may be especially useful when:
(p. 513)

- A. the company's marketing mix has changed a lot.
- B. the company is introducing new products.
- C. conditions are changing in the marketplace.
- D. the company is in unstable, fluctuating markets.
- E. All of the above.**

AACSB: 9 Value creation
Chapter: B
Difficulty: Easy
LearnObj: 6
Perreault - Chapter Appendix... #132
Question Type: Comprehension
Self-Test: No

133. To OBJECTIVELY estimate how sales to present customers may change because of possible marketing mix changes, a marketing manager should use:

(p. 513)

- A. a jury of executive opinion.
- B. a market test.**
- C. trend extension.
- D. a sales force estimate.

AACSB: 11 Analysis for decisions

Chapter: B

Difficulty: Medium

LearnObj: 6

Perreault - Chapter Appendix... #133

Question Type: Application

Self-Test: No

134. A company which wants to objectively estimate the reaction of customers to possible changes in its marketing mix should use:

(p. 513)

- A. trend extension.
- B. jury of executive opinion.
- C. sales force estimates.
- D. surveys, panels, and market tests.**
- E. None of the above.

AACSB: 11 Analysis for decisions

Chapter: B

Difficulty: Easy

LearnObj: 6

Perreault - Chapter Appendix... #134

Question Type: Application

Self-Test: No

b Summary

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