EC 511 – Fall 2003
George Mason University

Assignment 2

Student Name: __________________________________________________

Mark your answer below and return only this answer sheet:

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1. Distinguishing characteristics of the new economy include:
a) National borders have become more important
b) Tangible is preferred to intangible
c) It is intensely interlinked
d) Market efficiencies are removed
e) Most business is conducted online.

2. Kevin Kelly’s three assertions about the new economy are
a) a global economy, preference for intangible products, and intense interlinking.
b) preference for tangible products, domination by the U. S., and extensive use of electronic business.
c) a global economy will be less prevalent in the 21st century, tangible products will be the cornerstone, and business will be highly networked.
d) reduction of economic friction, a global economy, and intense interlinking.
e) extensive use of electronic business, businesses will be highly networked, and a global economy.

3. An industry that has been revolutionized by electronic business is
a) insurance
b) cellular telephones
c) manufacturing
d) stock market
e) computer hardware

4. Transaction costs are also referred to as
a) perfect market efficiencies.
b) economic frictions.
c) value-added costs.
d) value-added services.
e) shipping and handling costs.

5. A reduction in transaction costs results in
a) a more efficient economy.
b) a less efficient economy.
c) higher profits.
d) lower prices.
e) lower values.
6. With communication products, the value of the product is primarily a function of
a) transmission speed.
b) the content communicated.
c) the method of network access.
d) the number of people using the product.
e) the life cycle of the product.

7. The value of a product that is affected by the number of people using the product is known as the
a) transaction cost.
b) network effect.
c) market efficiency.
d) critical mass.
e) innovation stage.

8. Globalization of the new economy means
a) geography is totally irrelevant.
b) physical location is less significant.
c) the same content and products are equally appropriate for all countries.
d) customs regulations are no longer an issue.
e) all countries can benefit equally from electronic commerce.

9. The most important considerations in building a Web site for an international target include
a) presentation of site in the appropriate language.
b) incorporation of cultural aspects of the target country.
c) adherence to privacy laws of the target country.
d) all of the above are equally important.
e) A and C only

10. The most universal benefit of electronic business to organizations is
a) supply chain management.
b) improvements in operational efficiency.
c) raw materials acquisition.
d) networking with suppliers.
e) being able to sell directly to customers.

11. The process of bypassing some links in the supply chain is known as ____________.
a) disintermediation
b) markup control
c) win-win
d) going direct
e) interlinking
12. The Internet makes inter-organizational communications less expensive than does EDI because
   a) no proprietary software is needed to connect trading partners.
   b) fewer data bits are needed to be transmitted.
   c) it has proprietary standards.
   d) it is less expensive to build Web sites than purchase EDI software.
   e) EDI software if difficult to customize.

13. Enterprise resource planning (ERP) systems
   a) replace separate software systems with a single multi-mode application.
   b) are generally more costly than they are worth.
   c) are primarily used to support the manufacturing function.
   d) have high failure rates.
   e) are easy to customize.

14. The key component in an ERP system is
   a) skilled IT management.
   b) employees with good IT skills.
   c) a set of shared databases.
   d) a Web-based interface.
   e) all the above are equally essential.

15. Disadvantages of ERP systems include
   a) they are difficult to customize.
   b) complexity of the software and difficulty of installation.
   c) cost.
   d) A and B
   e) A and C
   f) A, B, and C

16. Two or more sales avenues competing for the same sale of the same product is known as ____________.
   a) competition
   b) interlinking
   c) channel conflict
   d) dual marketing
   e) marketing conflict

17. Companies that sell through intermediaries and also sell directly to customers often experience
   a) a decrease in overall volume.
   b) channel conflict.
   c) lower marketing costs.
   d) higher marketing costs.
   e) conflict marketing.
18. The most common new products developed with electronic business technologies are ___________ products.
   a) information-based
   b) retail
   c) wholesale
   d) commodity
   e) manufacturing software

19. Electronic business technologies can often be an organization’s
   a) greatest competitive advantage.
   b) greatest threat.
   c) most expensive project.
   d) A and B
   e) A and C

20. The largest expense of setting up an electronic business site is likely to be
   a) the server hardware.
   b) skilled Web developers.
   c) software licenses.
   d) leased network medium.
   e) a network manager.

21. When establishing the Web infrastructure for an electronic business site, a piece of critical information is
   a) the programming language used.
   b) the network operating system that will be used.
   c) client operating systems.
   d) an accurate estimate of current and future demand.
   e) the expertise level of the network administrator.

22. An example of a market’s structure that has been changed by electronic business is
   the _____________ market.
   a) stock
   b) retail
   c) software
   d) wholesale
   e) information technology

23. The primary reason given by most consumers for using an electronic business Web site is
   a) lower prices.
   b) convenience.
   c) more variety.
   d) efficiency.
   e) better product descriptions.