CHAPTER 12: INFORMATION SYSTEMS IN BUSINESS

Multiple Choice:

1. A computer system performs all of the following basic functions EXCEPT:
   A. output.
   B. input.
   C. acquisition.
   D. processing.

   **Answer:** C  **Reference:** Anatomy of a System  **Difficulty:** Easy

2. An example of a subsystem of a WAN is:
   A. the Internet.
   B. a LAN.
   C. the environment.
   D. a boundary.

   **Answer:** B  **Reference:** Anatomy of a System  **Difficulty:** Moderate

3. When two systems share a boundary, the output of one subsystem can be the _______ for another subsystem.
   A. input
   B. bus
   C. storage
   D. memory

   **Answer:** A  **Reference:** Anatomy of a System  **Difficulty:** Easy
4. When the output of one subsystem is used as input for another subsystem, the two systems have a shared:
   A. memory.
   B. boundary.
   C. EDI.
   D. critical path.
   Answer: B  Reference: Anatomy of a System  Difficulty: Moderate

5. A store’s environment includes all of the following EXCEPT:
   A. customers.
   B. suppliers.
   C. managers.
   D. competitors.
   Answer: C  Reference: Business Organizations as Systems  Difficulty: Moderate

6. __________ activities support a company’s primary activities.
   A. Outsourced
   B. Efficiency
   C. Core
   D. Secondary
   Answer: D  Reference: The Value Chain Model  Difficulty: Moderate

7. A value chain’s primary activities include all of the following EXCEPT:
   A. marketing and sales.
   B. human resources.
   C. operations.
   D. service.
   Answer: B  Reference: The Value Chain Model  Difficulty: Moderate
8. In the value chain model, the primary activity includes receiving, storing, and distributing raw materials.
   A. marketing and sales
   B. operations
   C. service
   D. inbound logistics

Answer: D  Reference: The Value Chain Model  Difficulty: Moderate

9. In the value chain model, the primary activity which refers to delivering the products or services to customers is:
   A. marketing and sales.
   B. outbound logistics.
   C. service.
   D. inbound logistics.

Answer: B  Reference: The Value Chain Model  Difficulty: Moderate

10. In the value chain model, the primary activity, is the process of creating products or services from raw materials.
    A. marketing and sales
    B. operations
    C. service
    D. inbound logistics

Answer: B  Reference: The Value Chain Model  Difficulty: Moderate

11. In the value chain model, the primary activity, is concerned with finding customers and getting orders from them.
    A. marketing and sales
    B. operations
    C. service
    D. inbound logistics

Answer: A  Reference: The Value Chain Model  Difficulty: Easy
12. In the value chain model, secondary activities include all of the following EXCEPT:
   A. procurement.
   B. management and administrative services.
   C. marketing.
   D. technology development.

   **Answer:** C  **Reference:** The Value Chain Model  **Difficulty:** Moderate

13. A company’s environment includes all of the following EXCEPT:
   A. competitors.
   B. employees.
   C. customers.
   D. stockholders.

   **Answer:** B  **Reference:** Information Systems  **Difficulty:** Easy

14. A _________ is an example of input for an information system.
   A. financial statement
   B. screen display
   C. paycheck
   D. sales transaction

   **Answer:** D  **Reference:** Information Systems  **Difficulty:** Easy

15. A(n) _________ is an example of output from an information system.
   A. printer
   B. employee paycheck
   C. customer address change
   D. scanner

   **Answer:** B  **Reference:** Information Systems  **Difficulty:** Easy
16. A(n) ____________ is a subsystem supporting the information needs of other business processes within the organization.

   A. information system 
   B. infrastructure 
   C. technology management system 
   D. operating system 

**Answer:** A  
**Reference:** Information Systems  
**Difficulty:** Moderate

17. All of the following are examples of transactions in an information system EXCEPT:

   A. manufacture widget. 
   B. sell item. 
   C. hire new employee. 
   D. enhance memory capacity. 

**Answer:** D  
**Reference:** Information Systems for Business Transactions  
**Difficulty:** Moderate

18. A(n) ____________ is a record-keeping system that keeps track of accounting transactions on a daily basis.

   A. IOS 
   B. executive information system 
   C. transaction processing system 
   D. expert system 

**Answer:** C  
**Reference:** Information Systems for Business Transactions  
**Difficulty:** Moderate

19. The first step in the transaction processing cycle is:

   A. database operations. 
   B. audit. 
   C. data entry. 
   D. user inquiry. 

**Answer:** C  
**Reference:** Information Systems for Business Transactions  
**Difficulty:** Moderate
20. All of the following are examples of transaction processing systems EXCEPT:

   A. accounts receivable.
   B. payroll.
   C. group decision support system.
   D. general ledger.

   **Answer:** C  **Reference:** Information Systems for Business Transactions  **Difficulty:** Easy

21. For a TPS, all of the following are action documents EXCEPT

   A. bills.
   B. receipts.
   C. credit cards.
   D. packing lists.

   **Answer:** C  **Reference:** Information Systems for Business Transactions  **Difficulty:** Easy

22. EDI stands for:

   A. electronic data interchange.
   B. electrical data interchange.
   C. electronic data on the Internet.
   D. enhanced data interchange.

   **Answer:** A  **Reference:** Information Systems for Business Transactions  **Difficulty:** Moderate

23. __________ processing gathers data and processes it later.

   A. Real-time
   B. Late entry data
   C. Batch
   D. Entry specific

   **Answer:** C  **Reference:** Information Systems for Business Transactions  **Difficulty:** Moderate
24. A library information system using a database to revise information about inventory levels after a book is checked out is an example of:

A. batch processing.
B. EDI.
C. storage and retrieval.
D. acquisition.

**Answer:** C  **Reference:** Information Technology in Information Systems  **Difficulty:** Moderate

25. When a sales manager makes a chart and spreadsheet for a monthly sales report, the manager is using the IT function called:

A. processing.
B. presentation.
C. acquisition.
D. storage and retrieval.

**Answer:** B  **Reference:** Information Systems  **Difficulty:** Moderate

26. The IT function, __________ is manipulating and organizing information for the benefit of the user.

A. presentation
B. storage and retrieval
C. processing
D. acquisition

**Answer:** C  **Reference:** Information Systems  **Difficulty:** Moderate

27. When an instructor forwards student marks to another instructor, it is an example of the IT function called:

A. transmission.
B. storage and retrieval.
C. processing.
D. acquisition.

**Answer:** A  **Reference:** Information Systems  **Difficulty:** Moderate
28. A sale reducing the number in stock would be recorded in a(n):
   A. expert system.
   B. ERP system
   C. accounts payable transaction.
   D. inventory control transaction.

Answer: D  Reference: The Information Flow through a Transaction Processing System  Difficulty: Moderate

29. A(n) ___________ transaction processing system reports business income and expenses in monthly reports so that the financial health of the company can be determined.
   A. general ledger
   B. accounts payable
   C. inventory control
   D. payroll

Answer: A  Reference: The Information Flow through a Transaction Processing System  Difficulty: Moderate

30. An enterprise resource planning (ERP) system increases the:
   A. quality of the data of a transaction subsystem.
   B. degree of error discovery of a transaction subsystem.
   C. ability to share information between business processes.
   D. amount of paperwork generated by a business.

Answer: C  Reference: Enterprise Resource Planning  Difficulty: Challenging

31. Which of the following does NOT describe the attributes of an ERP system?
   A. Simplistic
   B. Complex
   C. Large
   D. Expensive

Answer: A  Reference: Enterprise Resource Planning  Difficulty: Challenging
32. When two different businesses agree to work together, it is known as a:

A. strategic plan.
B. business alliance.
C. value chain.
D. corporation.

Answer: B  
Reference: Supply Chain Management and Outsourcing  
Difficulty: Moderate

33. An information system that supports international business activities is called a(n):

A. International information system.
B. EIS.
C. EDI.
D. Internet supplier system.

Answer: A  
Reference: Supply Chain Management and Outsourcing  
Difficulty: Moderate

34. The direct, computer-to-computer exchange of standardized, common business transaction documents between business partners, suppliers, and customers is:

A. EDI.
B. ES.
C. EIS.
D. ERP.

Answer: A  
Reference: Supply Chain Management and Outsourcing  
Difficulty: Easy

35. A business alliance linking systems of several companies who are in the same industry is called a(n) __________ network:

A. Enterprise Resource Planning
B. ES
C. Industrial
D. International Standards Organization

Answer: C  
Reference: Supply Chain Management and Outsourcing  
Difficulty: Moderate
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36. When a purchasing manager buys more computer paper for the office, she is making a(n) __________ decision.

   A. unstructured
   B. tactical
   C. structured
   D. strategic

   Answer: C  Reference: Information Technology and Management  Difficulty: Easy

37. When a Chief Executive Officer decides to open up a branch office in China, the CEO is making a(n) __________ decision.

   A. structured
   B. tactical
   C. unstructured
   D. operational

   Answer: C  Reference: Information Technology and Management  Difficulty: Easy

38. When an instructor determines the number of textbooks to order for an additional Monday night offering of an existing computer course, the instructor is making a(n) __________ decision:

   A. unstructured
   B. strategic
   C. semistructured
   D. tactical

   Answer: C  Reference: Information Technology and Management  Difficulty: Challenging

39. Middle managers primarily manage at the __________ level.

   A. tactical
   B. operational
   C. top management
   D. strategic

   Answer: A  Reference: Information Technology and Management  Difficulty: Challenging

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40. A company’s board of directors acts at the __________ level.
   A. tactical
   B. operational
   C. middle management
   D. strategic

Answer: D  Reference: Information Technology and Management  Difficulty: Moderate

41. The __________ is the top manager responsible for the overall planning of information systems within a company.
   A. CEO
   B. Controller
   C. CIO
   D. DBA

Answer: C  Reference: Information Technology and Management  Difficulty: Moderate

42. MIS stands for:
   A. management Internet system.
   B. marketing Internet system.
   C. marketing and implementation software.
   D. management information system.

Answer: D  Reference: Management Information Systems  Difficulty: Moderate

43. The Management Information System receives input from the:
   A. EIS.
   B. ES.
   C. DSS.
   D. TPS.

Answer: D  Reference: Management Information Systems  Difficulty: Easy
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44. The ____________ provides a manager with the information needed to make decisions regarding the firm’s operational activities.
   A. EIS  
   B. ES  
   C. MIS  
   D. EDI

Answer: C  Reference: Management Information Systems  Difficulty: Easy

45. A(n) ____________ helps a manager make semistructured decisions by providing tools to help analyze information.
   A. EDI  
   B. DSS  
   C. TPS  
   D. ES.

Answer: B  Reference: Decision Support Systems  Difficulty: Easy

46. If you were planning delivery routes for your business, you might find a(n) ____________ helpful.
   A. GIS.  
   B. MIS.  
   C. EDI.  
   D. DSS.

Answer: A  Reference: Decision Support Systems  Difficulty: Easy

47. A(n) ____________ system is designed based on the knowledge of a highly-skilled professional in a particular field.
   A. executive information  
   B. knowledge  
   C. expert  
   D. management information

Answer: C  Reference: Expert Systems  Difficulty: Moderate
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48. A combination of a MIS and DSS called a(n) ____________ helps top managers make decisions.

A. GIS  
B. EIS  
C. EDI  
D. CAM  

**Answer:** B  **Reference:** Executive Information Systems  **Difficulty:** Moderate

49. When a company develops a new product that competitors have difficulty imitating, that company has created a(n):

A. competitive advantage.  
B. switching cost mechanism.  
C. entry barrier.  
D. high efficiency quota.  

**Answer:** C  **Reference:** Strategic Information Systems  **Difficulty:** Moderate

50. Too many reports! Too many printouts! This is known as a(n):

A. run-time error.  
B. data log.  
C. information overload.  
D. decision support system.  

**Answer:** C  **Reference:** Information Systems in Perspective  **Difficulty:** Easy

51. The first phase of IT planning is called ____________ planning.

A. tactical  
B. project  
C. organizational  
D. strategic  

**Answer:** D  **Reference:** Strategic Planning  **Difficulty:** Moderate
52. To analyze their information requirements, many companies use __________ to define their IT infrastructure:

A. enterprise modeling
B. spreadsheet modeling
C. optimization analysis
D. project planning

**Answer:** A  
**Reference:** Describing the Information Technology Infrastructure  
**Difficulty:** Moderate

53. A manager could use __________ to determine if an information system project is economically worthwhile.

A. Gantt charts
B. program evaluation and review technique (PERT) charts
C. cost-benefit analysis
D. expert systems

**Answer:** C  
**Reference:** Allocating Resources  
**Difficulty:** Moderate

54. The third phase of information technology planning is __________, in which information system projects are selected.

A. IT infrastructure description
B. resource allocation
C. project planning
D. strategic planning.

**Answer:** B  
**Reference:** Allocating Resources  
**Difficulty:** Easy

55. The fourth phase of IT planning is __________ planning.

A. hardware
B. network
C. project
D. strategic

**Answer:** C  
**Reference:** Project Planning  
**Difficulty:** Easy
56. Managers use all of the following to identify problems in a project EXCEPT:

A. Gantt chart.
B. PERT diagram.
C. CPM.
D. CSF.

**Answer:** D  **Reference:** Project Planning  **Difficulty:** Moderate

57. In a(n)_________ diagram, a manager uses three time estimates: an optimistic, a pessimistic, and a most likely time for completion of each activity.

A. CPM
B. PERT
C. CSF
D. Gantt

**Answer:** B  **Reference:** Project Planning  **Difficulty:** Moderate

58. Social responsibility applies to:

A. both individuals and companies.
B. only companies.
C. only the community.
D. only the government.

**Answer:** A  **Reference:** Social Responsibility in the Information Age  **Difficulty:** Easy

59. The ethical guideline, ___________ states that a person should take the action that achieves the greatest good for all involved.

A. code of ethics
B. informed consent
C. most restrictive action
D. higher ethic

**Answer:** D  **Reference:** Social Responsibility in the Information Age  **Difficulty:** Easy
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60. “If in doubt, get permission before proceeding” is an example of which ethical guideline?

A. Code of ethics.
B. Informed consent.
C. Most restrictive action.
D. Higher ethic.

Answer: B  Reference: Social Responsibility in the Information Age  Difficulty: Easy

61. “When deciding on an action, assume its most severe consequence and act accordingly.” This is the ethical guideline:

A. code of ethics
B. informed consent
C. most restrictive action
D. higher ethic

Answer: C  Reference: Social Responsibility in the Information Age  Difficulty: Easy

62. Concerning business intelligence, all of the following are true EXCEPT:

A. data is collected, manipulated, and analyzed for better decision making.
B. it may be provided through use of a digital dashboard.
C. managers cannot access the system themselves.
D. it may predict the impact of a decision.

Answer: C  Reference: Organizational Efficiencies through Business Intelligence  Difficulty: Moderate

Fill in the Blank:

63. A system performs three basic functions: input, ____________, and output.

Answer: processing  Reference: Anatomy of a System  Difficulty: Easy

64. In addition to the three basic functions, a system has two additional functions: ____________ and control.

Answer: feedback  Reference: Anatomy of a System  Difficulty: Challenging
65. The _______ function evaluates feedback data and adjusts the system’s input and processing functions accordingly.

**Answer:** control  **Reference:** Anatomy of a System  **Difficulty:** Challenging

66. Anything outside a system’s boundary is referred to as the system’s _________.

**Answer:** environment  **Reference:** Anatomy of a System  **Difficulty:** Moderate

67. The _______ model looks at a business as a series of activities designed to add value to a business’s product or service.

**Answer:** value chain  **Reference:** The Value Chain Model  **Difficulty:** Easy

68. The value chain model divides a firm’s activities into _________ and secondary activities.

**Answer:** primary  **Reference:** The Value Chain Model  **Difficulty:** Easy

69. In the value chain model, the _________ activities directly relate to producing the product.

**Answer:** primary  **Reference:** The Value Chain Model  **Difficulty:** Moderate

70. In the value chain model, the _________ activities support the firm’s primary activities.

**Answer:** secondary  **Reference:** The Value Chain Model  **Difficulty:** Easy

71. TPS stands for _________.

**Answer:** Transaction Processing System  **Reference:** Information Systems for Business Transactions  **Difficulty:** Easy

72. A(n) ________ TPS keeps records of amounts owed by customers.

**Answer:** accounts receivable  **Reference:** The Information Flow through a Transaction Processing System  **Difficulty:** Easy

73. A(n) ________ TPS records employee work hours and produces paychecks.

**Answer:** payroll  **Reference:** The Information Flow through a Transaction Processing System  **Difficulty:** Easy

74. Transaction processing is a cyclical process involving entering data, processing data, storing and updating data, preparing documents and reports and _________.

**Answer:** user inquiry  **Reference:** Information Systems for Business Transactions  **Difficulty:** Challenging

75. ERP stands for _________.

**Answer:** enterprise resource planning  **Reference:** Enterprise Resource Planning  **Difficulty:** Moderate
76. A(n) ___________ system combines transactions from all the company’s TPS systems into a one database or data warehouse.

Answer: Enterprise Resource Planning  Reference: Enterprise Resource Planning  Difficulty: Moderate

77. IOS stands for ____________.

Answer: Interorganizational Information System  Reference: Supply Chain Management and Outsourcing  Difficulty: Challenging

78. A company’s ____________ includes the network of organizations that supply raw materials, manufacture products, and distribute products to customers.

Answer: supply chain  Reference: Supply Chain Management and Outsourcing  Difficulty: Moderate

79. The two forms of IOS are business alliances and ____________.

Answer: EDI or Electronic Data Interchange  Reference: Supply Chain Management and Outsourcing  Difficulty: Moderate

80. ____________ is the direct, computer-to-computer exchange of standard business transaction documents.

Answer: EDI  Reference: Supply Chain Management and Outsourcing  Difficulty: Moderate

81. A bookstore working closely with FedEx to handle the store’s delivery logistics is an example of a business ____________.

Answer: alliance  Reference: Supply Chain Management and Outsourcing  Difficulty: Challenging

82. The three management levels are operational, tactical, and ____________.

Answer: strategic  Reference: Information Technology and Management  Difficulty: Challenging

83. A manager at the ____________ level deals with supervising the day-in-day-out activities of a business.

Answer: operational  Reference: Information Technology and Management  Difficulty: Moderate

84. CIO stands for ____________.

Answer: Chief Information Officer  Reference: Information Technology and Management  Difficulty: Easy

85. DSS stands for ____________.

Answer: decision support system  Reference: Decision Support Systems  Difficulty: Moderate

86. A(n) ____________ system helps a manager make semistructured decisions using both internal and external information.

Answer: decision support  Reference: Decision Support Systems  Difficulty: Moderate

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87. A(n) __________ is a special type of DSS that includes maps and demographic data.

Answer: GIS  
Reference: Decision Support Systems  
Difficulty: Easy

88. GDSS stands for __________.

Answer: group decision support system  
Reference: Decision Support Systems  
Difficulty: Moderate

89. GIS stands for __________.

Answer: geographic information system  
Reference: Decision Support Systems  
Difficulty: Moderate

90. A(n) __________ system gives managers access to the knowledge of professionals in a narrow area of interest.

Answer: expert  
Reference: Expert Systems  
Difficulty: Easy

91. Replicating the knowledge of an engineer for training of new employees is a good use of a(n) __________ system.

Answer: ES or expert  
Reference: Expert Systems  
Difficulty: Moderate

92. A(n) __________ information system combines the features of MIS and DSS and supports unstructured decision making by a CEO.

Answer: executive  
Reference: Executive Information Systems  
Difficulty: Challenging

93. A(n) __________ information system has many components including an internal operations database, analytical models and external databases.

Answer: EIS or executive  
Reference: Executive Information Systems  
Difficulty: Easy

94. __________ analysis is used by a DSS to find the input that would produce the desired result.

Answer: Goal-seeking  
Reference: Using DSS for Analysis  
Difficulty: Challenging

95. __________ analysis is used by a DSS to vary the value of key input variables systematically and project output as each input variable is changed.

Answer: Sensitivity  
Reference: Using DSS for Analysis  
Difficulty: Challenging

96. An example of __________ analysis is calculating the best price to charge for a product.

Answer: optimization  
Reference: Using DSS for Analysis  
Difficulty: Challenging

97. A company creates a(n) __________ when it develops a new product that a competitor has difficulty imitating.

Answer: entry barrier  
Reference: Strategic Information Systems  
Difficulty: Challenging

98. __________ costs are the time, effort, and money a customer or supplier would have to expend to change to a competitor’s product or service.
99. In the ________ phase of IT planning, a company defines its mission, environment, strengths, weaknesses; and competitive strategy.

Answer: strategic planning  
Reference: Strategic Planning  
Difficulty: Moderate

100. The IT ________ includes a company’s information systems hardware, software, and telecommunications equipment, as well as its personnel and organizational structure.

Answer: infrastructure  
Reference: Describing the Information Technology Infrastructure  
Difficulty: Challenging

101. The third phase of information technology planning, ________, is the process of selecting the information system projects in which to invest time and money.

Answer: resource allocation  
Reference: Allocating Resources  
Difficulty: Challenging

102. A(n) ________ chart depicts a project schedule showing each step with its planned start and completion dates.

Answer: Gantt  
Reference: Project Planning  
Difficulty: Challenging

103. CPM, which stands for ________, uses a mathematical model to calculate when a project’s activities will be completed.

Answer: critical path method  
Reference: Project Planning  
Difficulty: Challenging

104. Three time estimates—optimistic, pessimistic, and most likely—are incorporated into a(n) ________ diagram.

Answer: PERT  
Reference: Project Planning  
Difficulty: Challenging

105. An organization may develop a(n) ________ to guide the behavior of its workers.

Answer: code of ethics  
Reference: Social Responsibility in the Information Age  
Difficulty: Moderate

106. Donn B Parker developed the ethical guideline, ________ that states, “You should take the action that achieves the greater good for everyone involved.”

Answer: the higher ethic  
Reference: Social Responsibility in the Information Age  
Difficulty: Challenging

107. The ethical guideline, ________, states, “If in doubt about ethics or laws, inform those affected of your intentions and obtain their permission to proceed.”

Answer: informed consent  
Reference: Social Responsibility in the Information Age  
Difficulty: Challenging

108. The ethical guideline, ________, states, “When deciding on an action, assume the worst possible consequence and act accordingly.”

Answer: most restrictive action  
Reference: Social Responsibility in the Information Age  
Difficulty: Challenging
109. __________ is the process of collecting, manipulating, and analyzing raw data to produce information for decision makers in an organization.

**Answer:** Business intelligence  
**Reference:** Organizational Efficiencies through Business Intelligence  
**Difficulty:** Challenging

**Matching:**

110. Match the following transaction processing systems to the activities:

- I. sales  
  A. print a check for a vendor
- II. inventory control  
  B. print a paycheck
- III. accounts receivable  
  C. reduce the number of items in stock
- IV. accounts payable  
  D. summarize monthly income and expenses
- V. purchasing  
  E. record what customers owe
- VI. general ledger  
  F. buy new stock from vendors
- VII. payroll  
  G. record items or services sold

**Answers:** G, C, E, A, F, D, B  
**Reference:** The Information Flow through a Transaction Processing System  
**Difficulty:** Moderate
111. Match the decisions and management levels to their definitions and responsibilities:

I. structured decision  A. short-term plans for the next year or so
II. semistructured decision  B. unique, unknown circumstances
III. unstructured decision  C. day-to-day activities
IV. operational level  D. some uncertainty, some clarity
V. tactical level  E. clearly understandable, established procedures
VI. strategic level  F. long-range, major impact decisions

**Answers:** E, D, B, C, A, F

**Reference:** IT and Management

**Difficulty:** Moderate

112. Put the following phases of IT planning in order:

I. project planning  A. first
II. description of IT infrastructure  B. second
III. strategic planning  C. third
IV. allocating resources  D. fourth

**Answers:** D, B, A, C

**Reference:** IS for Business Transactions

**Difficulty:** Moderate