**College**: LaGuardia Community College
**Course**: Business 101
**Instructor**: Janice Karlen
**Text**: *Business*, 10th Ed; Pride, Hughes, and Kappor

**Contents:**



*Assignment 1 for this course is not included in this packet because it is a multiple choice quiz.

**Assignment 2:**
Sears/Kmart decision to close stores
Students must find articles relating to the topic (in NYT or WSJ), summarize the cause and result and compare/contrast them if they contain differing information.

The New York Times
DealBook
Edited by Andrew Ross Sorkin

DECEMBER 27, 2011, 10:09 PM

# After Weak Holiday, Sears to Shut 120 Stores

*By AZAM AHMED*

Christmas was anything but merry for Sears Holdings.

Gregory Bull/Associated PressEdward Lampert, the chairman of Sears.

On Tuesday, the retailer, which operates both Sears and Kmart stores, announced plans to shut up to 120 locations after a sharp drop in sales this holiday season.

While the closings represent a fraction of the total stores, they underscore the retailer's precarious financial position. The company, which has been slow to renovate rundown stores and improve customer service, expects earnings to fall by more than 50 percent in the fourth quarter, far worse than expected.

"They're not going out of business tomorrow. But here is a company that is deteriorating in front of our eyes, and it could cost a lot of jobs," said Gary Balter, an analyst at Credit Suisse. "Somebody should be worried about that."

Sears has been limping along for years.

Andy Clark/ReutersA customer at Sears in North Vancouver, British Columbia. Earnings in the fourth quarter are off by more than 50 percent.

In 2005, the hedge fund manager Edward S. Lampert pushed the retailer to merge with Kmart, figuring that the combination would realize savings and bolster profits. His bet drew comparisons to the strategy of Warren E. Buffett, the chairman of Berkshire Hathaway, who takes concentrated positions in companies that he believed would increase in value and generate cash. Sears Holdings was thought to be something of a Berkshire vehicle — a public entity through which to acquire businesses.

But the merger has been an albatross for Mr. Lampert, who is chairman of Sears. Since their 2007 peak, shares in Sears had dropped from $192 to less than $46 in December. On Tuesday, the stock fell 27 percent, to close at $33.38.

"The customer just doesn't think of Sears at the top of their mind anymore," said Mary Ross Gilbert, a managing director at Imperial Capital.

The weakness stands in contrast to competitors, which have seen a steady improvement in sales. Macy's, Target and Home Depot have all increased revenues through the third quarter. Sears reported a loss during the same period.

Even J. C. Penney, facing its own woes, shows signs of revitalization. In June, the retailer hired Ron Johnson, the mastermind behind Apple's retail strategy, as its chief executive. This month, J. C. Penney bought a stake in Martha Stewart Living Omnimedia, with plans to introduce in-store boutiques around the home brand. Shares of J. C. Penney are up 10 percent this year.

The holiday season has been especially dark for Sears. So far this quarter, same-store sales are off 5.2 percent at Sears and Kmart locations that have been open for more than a year. By comparison, the industry is expecting holiday sales to rise 3.8 percent, according to the National Retail Federation.

Sears's main customer base — typically more working class — has been hit hard in the current economic downturn. Many have put off big-ticket purchases like home appliances until the employment outlook improves.

"Sears is one of the top appliance sellers in the United States," said Paul Swinand, an analyst at Morningstar. But "appliances and electronics have been doing poorly since the recession."

When the environment does improve, analysts say consumers could still shun Sears. Its uninviting stores and out-of-the-way locations remain a major challenge, and Sears has not invested in overhauling its look.

The company shells out about 1 percent of revenue on capital expenditures. Competitors like Target, Walmart, Lowe's and Home Depot, meanwhile, spend closer to 2 percent to 3 percent on facilities.

With sales slumping, Sears is looking to close stores to save money. The closings are expected to generate up to $170 million as the company sells inventory. Sears also plans to adopt a more severe approach to closings going forward, rather than trying to improve "marginally performing stores" as the company has done in the past.

It's part of a broader effort to bolster its balance sheet. Sears plans to reduce its overall inventory, which could bring in another $300 million. It plans to cut fixed costs, which could include rental and administrative expenses, by up to $200 million.

"These actions will better enable us to focus our investments on serving our customers and members through integrated retail — at the store, online and in the home," Lou D'Ambrosio, the company's chief executive, said in a statement.

But analysts are not convinced such efforts will be enough. For one, Sears has hefty pension and retirement burdens, which will continue to drain cash. And the company has already tapped a line of credit for $483 million, which it hadn't done at this time last year.

"I think they are a lot worse than people were thinking," said Mrs. Ross Gilbert of Imperial Capital. "They are really close to a liquidity crisis."

THE WALL STREET JOURNAL.
WSJ.com

DECEMBER 27, 2011, 6:35 P.M. ET

# Company to close at least 100 Sears, Kmart stores

Associated Press

NEW YORK — After a disastrous holiday shopping season, the parent company of Sears and Kmart will close at least 100 stores to raise cash — a move that sparked speculation about whether the 125-year-old retailer can avoid a death spiral fed by declining sales and deteriorating stores.

Sears Holdings Corp., a pillar of American retailing that famously began with a mail-order catalog in the 1880s, declared Tuesday that it would no longer prop up "marginally performing" locations. The company pledged to refocus its efforts on stores that make money.

Sears' stock quickly plunged, dropping 27 percent.

The closings are the latest and most visible move by Eddie Lampert, the hands-on chairman who has struggled to reverse the company's fortunes.

As rivals Wal-Mart and Target Corp. spruced up stores in recent years, Sears Holdings confronted falling sales and perceptions of dowdy merchandise.

Some analysts wondered if it was already too late, questioning whether the retailer can afford to upgrade stores as it burns through its cash reserves.

The sales weakness "begins and some would argue ends with Sears' reluctance to invest in stores and service," Credit Suisse analyst Gary Balter wrote in a note to clients.

"There's no reason to go to Sears," added New York-based independent retail analyst Brian Sozzi. "It offers a depressing shopping experience and uncompetitive prices."

Spokesman Chris Brathwaite said no one had determined which stores would close or how many jobs might be cut. He disputed doubts about the company's survival, noting it still has $2.9 billion available under its credit lines.

"While our operating performance has not met our expectations, we have significant assets," including inventory, real estate and valuable proprietary brands such as Kenmore and Craftsman, Brathwaite said.

Sears and Kmart were both retail pioneers. Sears' catalog and department stores were fixtures of American life stretching back to the 19th century before being hurt in recent years by competition from steep discounters and by missteps that included forays into financial services and the decision to sell off a lucrative credit card business.

Kmart helped create the discount-store format that Wal-Mart Stores Inc. came to dominate.

Some customers complained that they have a hard time connecting with the Kmart and Sears of today.

Preschool teacher Sara Kriz, picking up hair conditioner at a Kmart on Tuesday in Manhattan, said she used to shop at Kmart often but now goes there only once every few months: "Only when I have to," she said.

"It seems easier to go to Target and Wal-Mart to get the same thing at the same price," Kriz added. "The stores are cleaner, and they're better stocked."

Sears Holdings has watched its cash and short-term investments plummet by nearly half since Jan. 31, from about $1.3 billion to about $700 million.

The projected closings represent only about 3 percent of Sears Holdings' U.S. stores. And the company has actually added stores since the Sears-Kmart merger in 2005. It has about 3,560 stores in the U.S., up from 3,500 right after the merger, thanks to the addition of more small stores.

But the company hinted that more closings could be on the horizon as it focuses on honing the better-performing stores.

The closings announced Tuesday were expected to generate $140 million to $170 million in cash as the company sells those stores' inventory. Selling or subleasing the properties could generate more money.

In addition to the closings, the company announced that revenue at stores open at least a year fell 5.2 percent for the eight weeks ended Dec. 25, a crucial time because of the holiday shopping season.

Kmart's layaway program, meant to help cash-strapped customers buy presents by paying for them a little at a time, faltered as Wal-Mart brought back layaway for the holiday season after getting rid of the program in 2006. Sears stores reported softer sales of home appliances, usually a strength.

The company predicted that fourth-quarter adjusted earnings will be less than half the $933 million reported for the same quarter last year. It also expects a non-cash charge of $1.6 billion to $1.8 billion in the quarter to write off the value of carried-over tax deductions it now doesn't expect to be profitable enough to use.

Part of Sears Holdings' problem is the weak economy that is hurting virtually all retailers that cater to low- and middle-income shoppers, who are being forced to cut back on spending.

But both Lampert and Lou D'Ambrosio, who was named CEO in February, have said the company needs to keep up with the changing retail landscape, where shoppers are going online for convenience and finding better prices on their smartphones even once they're in the store.

Andrew Jassin, co-founder at retail management consultancy Jassin Consulting Group, said his fashion supplier clients that sell to Sears aren't limiting orders, but they're watching to see what steps the company will take next.

"People are generally questioning the survivability long-term," Jassin said.

Hedge fund manager Lampert engineered the combination of Sears and Kmart in 2005, about two years after he helped bring Kmart out of bankruptcy. Skeptics criticized the combination as the marriage of two weak companies that would only hurt each other.

But both stores were once giants.

Sears, which started with a lone Minnesota watch seller in 1886, helped define the mail-order catalog industry, selling shoes, clothes, guns and even ready-to-assemble homes to farmers across the country.

Kmart, which started as a five-and-dime in Detroit in 1899, once commanded a retail empire that included Waldenbooks, Borders, OfficeMax and Sports Authority before spinning them off. A long sales decline and an ill-advised price war against Wal-Mart led to its 2003 bankruptcy filing, which let Lampert gain control of the company.

Analysts and investors were initially enthused by speculation that Lampert was combining the companies to unlock the value of their real estate. But years passed without a big move to do that — and commercial real estate values took a painful hit in the Great Recession.

Lynn Crosbie, shopping at a Sears store in Portland, Ore., said she wasn't surprised by news of the closings.

Crosbie said she goes to Kmart for stocking stuffers and was disappointed this year by messy, understaffed stores.

"The quality has gone downhill," she said, looking around the nearly empty store. "Even the cashiers aren't as happy or friendly."

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Associated Press Writers Anne D'Innocenzio in New York and Sarah Skidmore in Portland, Ore., contributed to this report.

46. In what ways can disabled persons benefit from the provisions of the Americans with Disabilities Act?

47. How does checking accounts, savings accounts and certificates of deposit differ from each other? If you had $20,000.00 to invest, would you open a checking account, a savings account, or a certificate of deposit? What factors would you consider in making this decision?

FINAL EXAM

82
+10
92

(46) THE AMERICANS WITH DISABILITIES ACT STRICTLY PROHIBITS DISCRIMINATION AGAINST QUALIFIED INDIVIDUALS WITH DISABILITIES IN ALL ASPECTS OF EMPLOYMENT INCLUDING HIRING, FIRING, COMPENSATION, PROMOTIONS ETC. IT GIVES THESE TYPE OF INDIVIDUALS A LEGAL RECOURSE IN THE EVENT OF SUCH DISCRIMINATION. ALSO ACCOMODATIONS MUST BE MADE OR SUPPLIED FOR THESE INDIVIDUALS, SUCH AS WHEEL CHAIR RAMPS ETC. AS LONG AS THE ACCOMODATIONS ARE NOT A HINDARENCE OR BURDEN TO THE COMPANY.

5

(47) • CHECKING ACCOUNTS OFFER EASY ACCESS TO YOUR MONEY WHILE IT IS IN SAFEKEEPING, HOWEVER MANY DO NOT OFFER INTEREST

• SAVINGS ACCOUNTS OFFERS INTEREST & EASY ACCESS TO YOUR MONEY BUT YOU HAVE TO LEAVE THE MONEY UNTOUCHED FOR A VERY LONG PERIOD OF TIME FOR THE INTEREST TO ACCRUE & MAKE MONEY ON THE INVESTMENT

5

• CD'S OFFER A HIGHER RATE OF RETURN BUT YOUR MONEY IS LOCKED FOR AT LEAST 6 MONTHS OR LONGER DEPENDING ON THE TYPE OF C.D

IF I HAD $29000 TO INVEST AND I HAD THESE 3 CHOICES. I WOULD CHOOSE A C.D. BECAUSE OF IT'S HIGHER RETURN, AND I WONT BE TEMPTED TO BACK OUT BECAUSE IT'S LOCKED.

Final Exam

46) - A disabled persons can work in any company where they can perform their abilities. They can get a recognized position in a company because they can be able to have all qualities that that position require, such as sales manager, director, and so on. They can get a salary by their job executed as well extra hours.

2

Not really addressing the question

68
+5
73

17) - chequing account = It is a form of maintening the people's money safe and gaining interest. People give or write paper as pay by their purchase.
↳ can be stronger

3

- Saving accounts = It is a form of maintening the people's money safe place and gaining interest. People can be take away their money in any moment and paying their purchases with credit card. what about minimum balance

What about the CD

I would open a savings account because this money would gain intrest and I could arrange of it in any moment.

?

# Final Exam

47. If I had to invest 20,000 dollars I would
open a certificate of deposit I will know if I open
that account I can frosted the money for how
many years. The precent will be growing each year.
With that I will know I ~~am~~ safe and the money
will be growing. I won't ~~even~~ consider to make
a decision on that one I would just put it and
make it graw to protected myself against in the futher

46. Describe the differences b/w the 3 types of Accounts
Everyone gets older, and people are stopping to work.
But as to they have to recive health insurecas and
food stamps. Before people were working and they have to
use this.

Not really addressing the
Question (the Americans with
Disabilities Act).

34
+ 3
37

7

mandatory retirement age. Employers must base employment decisions on ability and not on a number.

## Occupational Safety and Health Act

Passed in 1970, this act is concerned mainly with issues of employee health and safety. For example, the act regulates the degree to which employees can be exposed to hazardous substances. It also specifies the safety equipment that the employer must provide.

The Occupational Safety and Health Administration (OSHA) was created to enforce this act. Inspectors from OSHA investigate employee complaints regarding unsafe working conditions. They also make spot checks on companies operating in particularly hazardous industries, such as chemicals and mining, to ensure compliance with the law. A firm found to be in violation of federal standards can be heavily fined or shut down. Many people feel that issuing OSHA violations is not enough to protect workers from harm.

## Employee Retirement Income Security Act

This act was passed in 1974 to protect the retirement benefits of employees. It does not require that firms provide a retirement plan. However, it does specify that *if* a retirement plan is provided, it must be managed in such a way that the interests of employees are protected. It also provides federal insurance for retirement plans that go bankrupt.

## Affirmative Action

Affirmative action is not one act but a series of executive orders issued by the President of the United States. These orders established the requirement for affirmative action in personnel practices. This stipulation applies to all employers with fifty or more employees holding federal contracts in excess of $50,000. It prescribes that such employers (1) actively encourage job applications from members of minority groups and (2) hire qualified employees from minority groups not fully represented in their organizations. Many firms that do not hold government contracts voluntarily take part in this affirmative action program.

## Americans with Disabilities Act

The Americans with Disabilities Act (ADA) prohibits discrimination against qualified individuals with disabilities in all employment practices—including job-application procedures, hiring, firing, advancement, compensation, training, and other terms and conditions of employment. All private employers and government agencies with fifteen or more employees are covered by the ADA. Defining who is a qualified individual with a disability is, of course, difficult. Depending on how *qualified individual with a disability* is interpreted, up to 43 million Americans can be included under this law. This law also mandates that all businesses that serve the public must make their facilities accessible to people with disabilities.

Not only are individuals with obvious physical disabilities protected under the ADA, but also safeguarded are those with less visible conditions such as heart disease, diabetes, epilepsy, cancer, AIDS, and mental illnesses. Because of this law, many organizations no longer require job applicants to pass physical examinations as a condition of employment.

Employers are required to provide disabled employees with reasonable accommodation. *Reasonable accommodation* is any modification or adjustment to a job or work environment that will enable a qualified employee with a disability to perform a central job function. Examples of reasonable accommodation include

**Accommodation of disabled employees.** *The Americans with Disabilities Act requires all employers to provide disabled employees with reasonable accommodation. This blind employee at Southern California Edison is permitted to have a guide dog accompany her at her workstation.*

© Bob Rowan; Progressive Image/Corbis

making existing facilities readily accessible to and usable by an individual confined to a wheelchair. Reasonable accommodation also might mean restructuring a job, modifying work schedules, acquiring or modifying equipment, providing qualified readers or interpreters, or changing training programs.

# return to inside business

## Zappos

Outstanding customer service helps Zappos stand out in the 24/7 world of online retailing. The company always has at least 2 million pairs of shoes in stock, ready to be boxed and shipped at a moment's notice. Customers have a full 365 days in which to return their purchases if they're not satisfied. And unlike some Web retailers, Zappos maintains two toll-free hot lines to help customers with sales or service in English or Spanish at any time, day or night.

None of this would work without the company's responsive, enthusiastic, and dedicated workforce. By recruiting good employees, providing them with thorough training, and empowering them to deliver great service, Zappos is positioning itself for even more growth in the future.

**Questions**

1. What are the advantages and disadvantages of paying new hires to quit before the end of their training period? Do you agree with what Zappos is doing? Why?
2. If you were a Zappos recruiter, what questions would you ask to determine whether a prospective employee would fit into the company's workforce?

Depending on qualifications, work experience, and education, starting salaries generally are between $15,000 and $30,000 a year, but it is not uncommon for college graduates to earn $35,000 a year or more.

If banking seems like an area you might be interested in, why not do more career exploration? You could take a banking course if your college or university offers one, or you could obtain a part-time job during the school year or a summer job in a bank, S&L, or credit union.

## Traditional Services Provided by Financial Institutions

4 **Learning Objective: Identify the services provided by financial institutions.**

To determine how important banking services are to you, ask yourself the following questions:

- How many checks did you write last month?
- Do you have a major credit card? If so, how often do you use it?
- Do you have a savings account or a CD?
- Have you ever financed the purchase of a new or used automobile?
- How many times did you visit an ATM last month?

If you are like most people and business firms, you would find it hard to live a normal life without the services provided by banks and other financial institutions. Typical services provided by a bank or other financial institution are illustrated in Figure 18.4.

The most important traditional banking services for both individuals and businesses are described in this section. Online banking, electronic transfer of funds, and other significant and future developments are discussed in the next section.

### Checking Accounts

Imagine what it would be like living in today's world without a checking account. Although a few people do not have one, most of us like the convenience a checking account offers. Firms and individuals deposit money in checking accounts (demand deposits) so that they can write checks to pay for purchases. A **check** is a written order for a bank or other financial institution to pay a stated dollar amount to the business or person indicated on the face of the check. In order to attract new customers, many financial institutions offer free checking; others charge activity fees (or service charges) for checking accounts. Fees and charges generally range between $5 and $20 per month for individuals. For businesses, monthly charges are based on the average daily balance in the checking account and/or the number of checks written. Charges for business checking accounts are often higher than those for individual accounts.

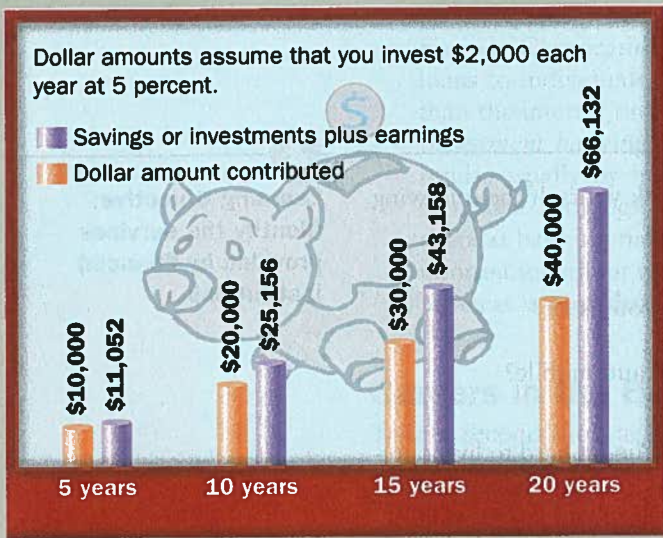
**check** a written order for a bank or other financial institution to pay a stated dollar amount to the business or person indicated on the face of the check

**Figure 18.4: Typical Services Provided by Banks and Other Financial Institutions**

**Banking services can be divided into three broad categories: traditional services, electronic services, and international services.**

| TRADITIONAL | ELECTRONIC | INTERNATIONAL |
|---|---|---|
| • Checking<br>• Savings<br>• Loans<br>• Credit and debit cards<br>• Financial advice<br>• Payroll service<br>• Certified checks<br>• Trust services<br>• Safe-deposit boxes | • Automatic teller machines<br>• Electronic transfer of funds<br>• Automated clearing-houses<br>• Point-of-sale terminals<br>• Electronic check conversion | • Letter of credit<br>• Banker's acceptance<br>• Currency exchange |

## SPOTLIGHT
### Savings and Investment Growth!




Most financial institutions offer interest-paying checking accounts, often called *NOW accounts*. A **NOW account** is an interest-bearing checking account. (*NOW* stands for *negotiable order of withdrawal.*) For these accounts, the usual interest rate is between 0.25 and 1 percent. Typically, online Internet banks pay slightly higher interest rates. However, individual banks may impose certain restrictions on their NOW accounts, including the following:

- A minimum balance before any interest is paid
- Monthly fees for accounts whose balances fall below a set minimum amount
- Restrictions on the number of checks that may be written each month

Although banks and other financial institutions may pay low interest rates on checking accounts, even small earnings are better than no earnings. In addition to interest rates, be sure to compare monthly fees before opening a checking account.

## Savings Accounts

Savings accounts (time deposits) provide a safe place to store money and a very conservative means of investing. The usual *passbook savings account* earns between 0.25 and 2 percent in commercial banks and S&Ls and slightly more in credit unions or online Internet banks.

**NOW account** an interest-bearing checking account; *NOW* stands for *negotiable order of withdrawal*

**certificate of deposit (CD)** a document stating that the bank will pay the depositor a guaranteed interest rate on money left on deposit for a specified period of time

A depositor who is willing to leave money on deposit with a bank for a set period of time can earn a higher rate of interest. To do so, the depositor buys a certificate of deposit. A **certificate of deposit (CD)** is a document stating that the bank will pay the depositor a guaranteed interest rate on money left on deposit for a specified period of time. The interest rates paid on CDs change weekly; they once briefly exceeded 11 percent in 1980. Recently, interest rates have ranged from 2 to 5 percent. The rate always depends on how much is invested and for how long. Generally, the rule is: The longer the period of time until maturity, the higher is the rate. Depositors are penalized for early withdrawal of funds invested in CDs.

## Short- and Long-Term Loans

Banks, S&Ls, credit unions, and other financial institutions provide short- and long-term loans to both individuals and businesses. *Short-term business loans* must be repaid within one year or less. Typical uses for the money obtained through short-term loans include solving cash-flow problems, purchasing inventory, financing promotional needs, and meeting unexpected emergencies.

**line of credit** a loan that is approved before the money is actually needed

To help ensure that short-term money will be available when needed, many firms establish a line of credit. A **line of credit** is a loan that is approved before the money is actually needed. Because all the necessary paperwork is already completed and the loan is preapproved, the business can obtain the money later without delay, as soon as it is required. Even with a line of credit, a firm may not be able to borrow money if the bank does not have sufficient funds available. For this reason, some firms prefer a **revolving credit agreement**, which is a guaranteed line of credit.

**revolving credit agreement** a guaranteed line of credit

*Long-term business loans* are repaid over a period of years. The average length of a long-term business loan is generally three to seven years but sometimes as long as fifteen years. Long-term loans are used most often to finance the expansion of buildings and retail facilities, mergers and acquisitions, replacement of equipment, or product development.

**collateral** real estate or property pledged as security for a loan

Most lenders require some type of collateral for long-term loans. **Collateral** is real estate or property (stocks, bonds, equipment, or any other asset of value) pledged as security for a loan. For example, when an individual obtains a loan to pay for a new Chevrolet Malibu, the automobile is the collateral for the loan. If the borrower fails to repay the loan according to the terms specified in the loan agreement, the lender can repossess the car.

Repayment terms and interest rates for both short- and long-term loans are arranged between the lender and the borrower. For businesses, repayment terms may include monthly, quarterly, semiannual, or annual payments. Repayment terms (and interest rates) for personal loans vary depending on how the money will be used and what type of collateral, if any, is pledged. However, individuals typically make monthly payments to repay personal loans. Borrowers always should "shop" for a loan, comparing the repayment terms and interest rates offered by competing financial institutions.

## Credit-Card and Debit-Card Transactions

By 2010, 176 million Americans will use credit cards to pay for everything from tickets on American Airlines to Zebco fishing gear.[11] Today, the number of cardholders increases every month. In fact, most Americans receive at least two or three credit-card applications in the mail every month. Why have credit cards become so popular?

For a merchant, the answer is obvious. By depositing charge slips in a bank or other financial institution, the merchant can convert credit-card sales into cash. In return for processing the merchant's credit-card transactions, the financial institution charges a fee that generally ranges between 1.5 and 5 percent. Typically, small, independent businesses pay more than larger stores or chain stores. Let's assume that you use a Visa credit card to purchase a microwave oven for $300 from Gold Star Appliance, a retailer in Richardson, Texas. At the end of the day, the retailer deposits your charge slip, along with other charge slips, checks, and currency collected during the day, at its bank. If the bank charges Gold Star Appliance 5 percent to process each credit-card transaction, the bank deducts a processing fee of $15 ($300 × 0.05 = $15) for your credit-card transaction and immediately deposits the remainder ($285) in Gold Star Appliance's account. The number of credit-card

AP Photo/Journal & Courier/John Terhune

**How do you pay for lunch or dinner?** More and more people are using credit or debit cards to pay for their purchases. For the customer, credit cards are easy and convenient. A very real disadvantage is that people often spend more money than they can afford when they use credit cards on a regular basis.

transactions, the total dollar amount of credit sales, and how well the merchant can negotiate the fees the bank charges determine actual fees.

For the consumer, credit cards permit the purchase of goods and services even when funds are low. Most major credit cards are issued by banks or other financial institutions in cooperation with Visa International or MasterCard International. The unique feature of bank credit cards is that they extend a line of credit to the cardholder, much as a bank's consumer loan department does. Thus credit cards provide immediate access to short-term credit for the cardholder. Of course, the ability to obtain merchandise immediately and pay for it later can lead to credit-card misuse. The average American has a credit-card balance of approximately $9,205.[12] With typical finance charges ranging from 1 to 1.5 percent a month (that's 12 to 18 percent a year), you can end up paying large finance charges. And the monthly finance charges continue until you manage to pay off your credit-card debt. If you find yourself getting deeper into debt, the first step is to *stop shopping!* Next, contact your creditors and discuss options for reducing your finance charges and repaying your debts with lower monthly payments. If you do need assistance, organizations such as a local chapter of Consumer Credit Counseling Services (**www.cccsintl.org**) or Myvesta (**www.myvesta.org**) or a local support group such as Debtors Anonymous (**www.debtorsanonymous.org**) are there to help you.

**debit card** a card that electronically subtracts the amount of your purchase from your bank account at the moment the purchase is made

Do not confuse debit cards with credit cards. Although they may look alike, there are important differences. A **debit card** electronically subtracts the amount of your purchase from your bank account at the moment the purchase is made. (By contrast, when you use your credit card, the credit-card company extends short-term financing, and you do not make payment until you receive your next statement.) Debit cards are used most commonly to obtain cash at ATMs and to purchase products and services from retailers. The use of debit cards is expected to increase because many people feel that they are more convenient than writing checks.

## Innovative Banking Services

5

**Learning Objective: Understand how financial institutions are changing to meet the needs of domestic and international customers.**

Samantha Wood used an ATM three times this week. Why? She needed cash and did not have time to make a trip to the bank and wait in line. When Bart Jones, owner of Aquatic Pools, needed a short-term $50,000 loan to solve some of his firm's cash-flow problems, he turned to LendingTree.com (**www.lendingtree.com**), an online loan-matching service. He answered some questions, and within an hour, three financial institutions had bid on his loan. He got approval (and the money he needed) without leaving his office. Like Samantha Wood and Bart Jones, many individuals, financial managers, and business owners are finding it convenient to do their banking electronically. Let's begin by looking at how banking has changed over the last ten years. Then we will discuss how those changes may provide a foundation for change in the future.

### Recent Changes in the Banking Industry

In 1999, Congress enacted the Financial Services Modernization Banking Act. This act allowed banks to establish one-stop financial supermarkets where customers can bank, buy and sell securities, and purchase insurance coverage. Now, as a result of this legislation and the increasing use of technology in the banking industry, even the experts are asking the question: How will banking change in the next five to ten years?

While the experts may not be able to predict with 100 percent accuracy the changes that will affect banking, they all agree that banking *will* change. The most obvious changes the experts do agree on are:

- More emphasis on evaluating the creditworthiness of loan applicants as a result of the recent financial crisis.
- An increase in government regulation of the banking industry.
- A reduction in the number of banks, S&Ls, credit unions, and financial institutions because of consolidation and mergers
- Globalization of the banking industry

# LaGuardia Community College of the City University of New York
## Business and Technology Department
## Course Outline

BTM101: Introduction to Business - 3 Credits/3 Hours
Semester: Fall I 2010

**Welcome to BTM101 - Introduction to Business**

*BTM101: Introduction to Business* is an introductory course designed to acquaint you with role of business in our economy, the forms of ownership, and the value of ethics as it relates to the various functions of business (i.e., accounting, economics, finance, management, marketing, personnel, etc.). The role of information systems, total quality management, and career opportunities in the business world are explored. The course will provide you with the opportunity to explore the various functions of business and may lead to a decision as to a major, and possibly, a career choice.

This course will include a detailed examination of characteristics of the American economy, with particular emphasis on the essential features of capitalism and profit motive, the role of the technology revolution and its relationship to management, and the impact of ethics on business decisions, and the consequences of those decisions on individuals, businesses, the economy, and society.

To supplement classroom discussions, you will be asked to participate and complete various activities, which will entail analyzing, interpreting, and communicating decisions made relating to the following topics:

- Social responsibility as it relates to products and services (i.e., among others - safety, reliability and price).
- Competition (such as fair and honest practices).
- Understanding the management process - styles of leadership (the authoritarian leader, the democratic leader, and the laissez-faire leader).
- Corporate organizational structure.
- Human resources policies and employment laws.
- Employee commitment.
- Investor loyalty.
- Customer satisfaction.
- Roles of board of directors (for example - transparency, accountability, conflict of interest).
- Profits.
- Sarbanes-Oxley Act of 2002.

The goal is to enhance critical thinking, investigate perspectives, and explore reasoning and communication of concepts that affect the validity and persuasiveness of arguments, while encouraging you to think logically about both the theory and the practice of business. Essentially, class sessions will supplement and structure the process of research, developing arguments, use of technology (for instance: ePortfolio, Microsoft Excel, Word, PowerPoint, Yahoo!Finance), and presenting results. The role of ePortfolio will be a notable requirement to this course and it will serve as a medium for you to collect, select, and reflect on work completed during the semester. With the integration of ePortfolio students will then collect evidence of their development of content knowledge that is appropriate for communicating in today's business environment.

**Textbook**

*Business* by William M. Pride, Robert J. Hughes, and Jack R. Kappor, 10th edition, South Western Cengage Learning, 2010.

**Reference Materials**

1. Magazines: Business Week, Forbes, Fortune, etc.
2. Newspapers: NY Times, Wall Street Journal, and the business section of any newspaper.
3. Television Broadcasts: *AC360* on CNN, *Nightly Business Report* on PBS, etc.

**Pre/Co-requisite:** CSE095 OR CSE098 and ENG099 (or waiver)/HUC099 (or waiver)

## Course Calender

| Week | Chapter | Topic | Assignment: Oral Presentation | Assignment: ePortfolio |
|---|---|---|---|---|
| **1** | 1 | Exploring the World of Business and Economics | Why is it important in business? | Introduction |
| | 2 | Being Ethical and Socially Responsible | | |
| | | | | |
| **2** | 2 | Being Ethical and Socially Responsible | | |
| | 3 | Exploring Global Business | | |
| | | | | |
| **3** | 4 | Choosing a form of Business Ownership | Assignment # 1 | |
| | 5 | Small Business, Entrepreneurship, and Franchises | | |
| | | | | |
| **4** | 6 | Understanding the Management Process | Assignment # 1 | |
| | 7 | Creating a Flexible Organization | | |
| | | | | |
| **5** | 8 | Producing Quality Goods and Services | | |
| | 9 | Attracting and Retaining the Best Employees | | |
| | | | | |
| **6** | 10 | Motivating and Satisfying Employees and Teams | | |
| | 11 | Enhancing Union - Management Relations | | |
| | | | | |
| **7** | 11 | Enhancing Union - Management Relations | | |
| | 12 | Building Customer Relationships Through Effective Marketing | | |
| | | **Mid-Term Examination** | | |
| | | | | |
| **8** | 13 | Creating and Pricing Products that Satisfy customers | Workshop - Professor S. Trapani | |
| | 14 | Wholesaling, Retailing, and Physical Distribution | | |
| | | | | |
| **9** | 14 | Wholesaling, Retailing, and Physical Distribution | Oral Presentation Video Critique | |
| | 15 | Developing Integrated Marketing Communications | | |
| | | | | |
| **10** | 16 | Understanding Information and E- Business | Assignment # 2 | |
| | 18 | Understanding Money, Banking, Credit | | |

## Course Calender

| Week | Chapter | Topic | Assignment: Oral Presentation | Assignment: ePortfolio |
|---|---|---|---|---|
| **11** | 18 | Understanding Money, Banking, Credit | Assignment # 2 | Reflection |
| | 19 | Mastering Financial Management | | |
| | | | | |
| **12** | 21 | Personal Finances and Investments | | Workshop |
| | | Review for Final Exam | | |
| | | | | |
| **13** | | **Final Examination** | | |

**Oral Presentation Assignments:** You will be required to complete two videotaped oral presentation assignments - *Oral Presentation Assignment # 1* and *Oral Presentation Assignment # 2*, during the semester. These oral presentation assignments will include identifying, analyzing, and making decisions relating to the managing, marketing, and financing of a company's operation. As the semester progresses, details relating to these assignments will be provided and discussed.

**Videotaped Oral Presentations:** In addition to *Oral Presentation Assignment # 1* and *Oral Presentation Assignment # 2*, throughout the semester, students will be required to make several videotaped oral presentations (approximately 2 - 3 minutes in length) on a variety of topics, which will be provided and discussed. Completion of these assignments will count towards students' class participation and will affect students' *Overall Course Grade* (see *Grading System* noted below).

**ePortfolio Development**: Each student is required to create a **professional** *ePortfolio*, which should contain the following sections:

1. **Introduction** - Address the following:

    a. Discuss a little about who you are.
    b. What are your short-term and long-term academic/professional goals? What immediate action steps can you take to accomplish these goals? Specifically, what necessary skills do you feel should be developed in achieving your long-term goals?

2. **Classes and Projects** - Address the following:

    a. Attach your PowerPoint, if applicable, and video-taped oral presentation files to this section.
    b. Moreover, the instructor may require other assignments (not limited to: in-class and homework) be added to this section.

3. **Reflection** - Address the following:

    a. What did you initially anticipate regarding the opportunity of studying at LaGuardia Community College? What were you hoping to gain from taking this course?
    b. Provide some important highlights of what you have learned and can take away from this course and the work that you have completed during this semester.
    c. What connections can you make between what you have learned (skills, knowledge, etc.) from this course and other courses you have completed during your studies at LaGuardia Community College?
    d. What connections can you make between what you have learned (in relation to the above) from courses you have completed during your studies at LaGuardia Community College and your life outside the classroom?
    e. Provide any additional thoughts as you deem appropriate.

**Grading System**

The course is assigned 100% as follows:

| | |
|---|---|
| Mid-Term Examination | 30% |
| Final Examination | 40% |
| Oral Presentation Assignment # 1 | 5% |
| Oral Presentation Assignment # 2 | 10% |
| ePortfolio quality | 5% |
| Participation: Overall evaluation of student based on timeliness of in-class and homework assignments, class participation, etc | 10% |
| | 100% |

Effective Fall 1999, LaGuardia Community College has adopted a plus and minus grading system. LaGuardia Community College will not utilize the A+ within the grading system.

Students' Overall Course Grade will be calculated as follows:

Overall Course Grade = (Mid-Term Examination Grade * 30%) + (Final Examination # 2 Grade * 40%) + Oral Presentation Assignment # 1 Grade (0% - 5%) + Oral Presentation Assignment # 2 Grade (0% - 10%) + ePortfolio Grade (0% - 5%) + Participation Grade (0% - 10%)

| **Overall Course Grade** | | | **GPA** |
|---|---|---|---|
| A | 94.0 - 100.0 | | 4.00 |
| A- | 90.0 - 93.9 | | 3.70 |
| | | | |
| B+ | 87.0 - 89.9 | | 3.30 |
| B | 83.0 - 86.9 | | 3.00 |
| B- | 80.0 - 82.9 | | 2.70 |
| | | | |
| C+ | 77.0 - 79.9 | | 2.30 |
| C | 73.0 - 76.9 | | 2.00 |
| C- | 70.0 - 72.9 | | 1.70 |
| | | | |
| D+ | 67.0 - 69.9 | | 1.30 |
| D | 63.0 - 66.9 | | 1.00 |
| D- | 60.0 - 62.9 | | 0.70 |
| | | | |
| F | Failure: 59.9 or Less | | 0.0 |

**Important Notes**

1. As noted above, there will be **two examinations** during the semester (**Mid-Term Examination** and **Final Examination**).
2. The instructor will provide more detailed information about **Videotaped Oral Presentation Assignment # 1** and **Oral Presentation Assignment # 2** during classroom meetings.
3. Key terms, problems, case studies, discussions and review questions at the end of each the chapters will be assigned by the instructor.
4. As the semester progresses, the instructor will provide information and due dates relating to the following:

   a. Homework Assignments
   b. Examinations
   c. Oral Presentation Assignments.
   d. ePortfolio

**Attendance Policy:** Attendance in class is a requirement and will be considered in the evaluation of student performance. Instructors are required to keep an official record of student attendance. The maximum number of unexcused absences is limited to 15% of the number of class hours.

In the unfortunate event that you miss a class, it is your responsibility to:

1. Make yourself aware of the materials and/or activities during the class.

2. Be well prepared for the next class.

Absences are counted from the first day of class even if they are a result of late registration or change of program. Furthermore, you CANNOT make up a missed exam or turn in a missed assignment/project, unless your absence is approved by the instructor PRIOR to the class. Pre-approved absences will be considered only in VERY LIMITED SITUATION, such as, but not limited to the following:

1. You have a college/university approved excuse in writing.
2. Emergency situations (i.e., illness, family emergency, court order, etc.) ONLY WITH a sound medical excuse a doctor's note, printed announcement or relevant official document- please note: No travel itinerary alone).

**Class Participation**

You are responsible to keep current in the reading, in-class and homework assignments, and contribute significantly to class discussions. Mere attendance at class does not count towards participation. The quality of your participation will be evaluated on the basis of the instructor's assessment of your comprehension of the material and your ability to articulate and support your analysis.

**Classroom Guidelines**

1. All personal electronic devices (i.e., iPods, cellular phones, palm pilots, personal computers, CD players, etc.) MUST BE COMPLETELY TURNED OFF AND PUT AWAY while in class, unless permitted by the instructor. They interrupt the class and distract the others.
2. NO food or snacks. If you need to bring a beverage into the classroom, the container will need to be secured with a lid or other means to prevent spilling. Together, it is our responsibility to maintain a physical environment that is pleasant.
3. Blackboard and E-mails will be used as the primary modes of communication for class. You are expected to maintain your LaGuardia email account. Class announcements and relevant materials will be posted on the course Blackboard site at *www.lagcc.cuny.edu.*
4. You are expected to be prompt and prepared to stay until the instructor dismisses the class. Any deviations (i.e., being late or leaving early) without the consent of the instructor may be considered as an absence. Both PUNCTUALITY and ATTENDANCE are critical to maximize your performance in this course.
5. LISTEN AND PARTICIPATE. However, side conversations or other distractions to the speaker or fellow students are inappropriate and will not be tolerated.
6. All foreign materials not related to the class should be put away (i.e., newspapers, magazines, and materials related to other classes).
7. When guest lecturers/speakers are scheduled, professional or business casual attire as well as timeliness are required of all so as to deliver and maintain a PROFESSIONAL ATTITUDE. Business casual means collar shirt and slacks or blouse and skirt. No baseball caps, sweats, jeans, and shorts, please.

**Note:** The instructor reserves the right to change any or all of the above-noted items at his discretion. However, students will be informed prior to any such changes.