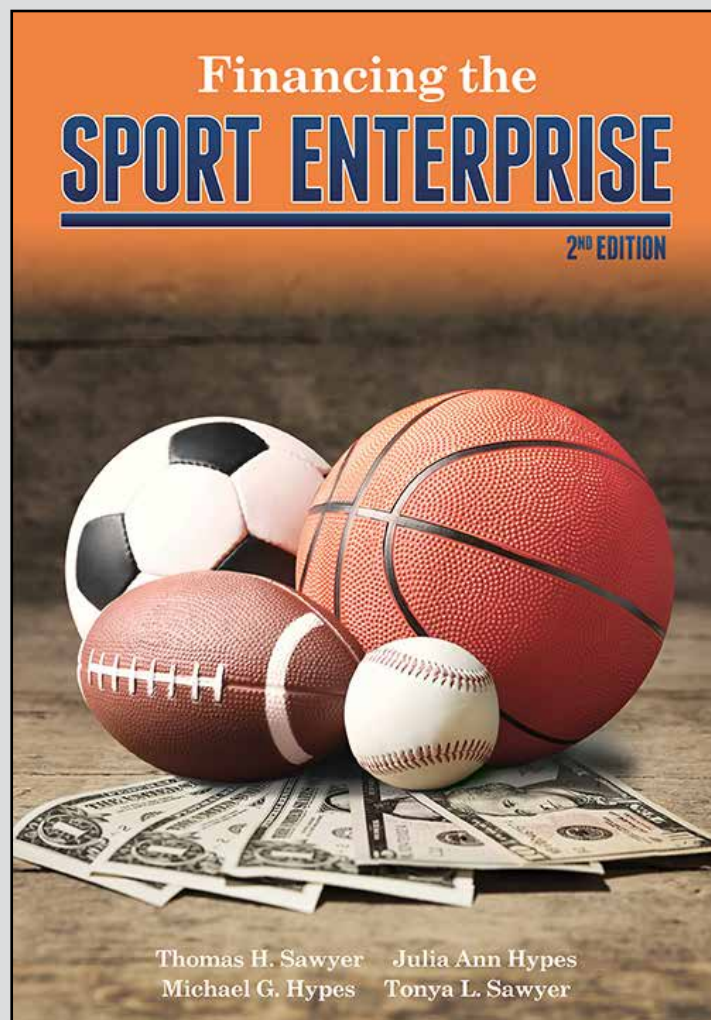


TEST BANK



SAGAMORE
P U B L I S H I N G

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1

THE ABCS OF ECONOMICS

1. Economics is the study of the market system and is the foundation for business management.
 - a. **True ***
 - b. False
2. There are three common categories of resource: land, labor, and the law.
 - a. True
 - b. **False ***
3. Without entrepreneurs, goods and services would not be produced.
 - a. **True ***
 - b. False
4. The four key components in economic decision making are what goods and services, how are they produced, for whom are they produced, and how extensively are resources used.
 - a. **True ***
 - b. False
5. An opportunity cost is something that is considered, but not given up.
 - a. True
 - b. **False ***
6. There are three types of economies: market, limited, and command.
 - a. True
 - b. **False ***
7. In a market economy, the producer can make its own decisions, which are determined by the marketplace.
 - a. **True ***
 - b. False
8. Factor and product markets may be found in a command economy.
 - a. True
 - b. **False ***
9. The supply curve is considered the relationship between the quantity sellers want to sell during a period of time and price.
 - a. **True ***
 - b. False
10. The equilibrium price is the price at which the amount of product demanded is less than the amount of product supplied.
 - a. True
 - b. **False ***
11. Bartering is trading something with a person for something in exchange.
 - a. **True ***
 - b. False

12. Macroeconomics is concerned with the behavior of people in the aggregate, with the aggregate of consumers, the aggregate of businesspeople, and with government overall.
 - a. **True ***
 - b. False
13. Microeconomics is the study of individual market participants (the individual consumer, the individual concern) and individual markets.
 - a. **True ***
 - b. False
14. The Federal Reserve System is considered to be the nation's central bank.
 - a. **True ***
 - b. False
15. The most important function of the Federal Reserve System is to regulate the money supply and ensure an adequate supply of paper currency.
 - a. **True ***
 - b. False
16. The Federal Reserve System acts as a bank for the U.S. Treasury.
 - a. **True ***
 - b. False
17. The "Law of Demand" states that when the price of an item goes down, the demand for it goes up.
 - a. **True ***
 - b. False
18. The relationship between price and the amount of a product people want to buy is what economists call the money curve.
 - a. True
 - b. **False ***
19. The process of bartering is trading an item with a person for something in exchange.
 - a. **True ***
 - b. False
20. If a product turned out to suddenly become very popular and the total demand were to suddenly decrease (that is, more people demand a product at any given price), the demand curve would shift up and right and the equilibrium price would increase.
 - a. True
 - b. **False ***

2

ORGANIZING THE RECREATION AND SPORT ORGANIZATION

1. Setting goals creates order out of chaos.
 - a. **True ***
 - b. False
2. Effective organization has solid stable relationships.
 - a. **True ***
 - b. False
3. Organizational charts are the most common method of formalizing the sport organization management structure.
 - a. **True ***
 - b. False
4. An organization manual or handbook may contain the following important information: statement of objectives, organization history, organization chart, job descriptions, personnel policies and procedures, and terms and conditions of employment.
 - a. **True ***
 - b. False
5. The major shortcoming of functional structure is that the smaller the number of departments, the more difficult it becomes to achieve coordination between specialties.
 - a. True
 - b. **False ***
6. A disadvantage of a product structure is the increase in professional communication between functional specialists.
 - a. True
 - b. **False ***
7. Territorial structure is appropriate for large organizations whose activities are physically dispersed.
 - a. **True ***
 - b. False
8. Territorial structure is particularly suited for multinational business corporations such as Nike, Spalding Sporting Goods, Wilson Sporting Goods, Adidas-Salomon, and Fila.
 - a. **True ***
 - b. False
9. Larger organizations often find themselves underutilizing the administrative services of their employees.
 - a. True
 - b. **False ***
10. An increase in product or service diversity is typically accompanied by an increase in structural complexity.
 - a. **True ***
 - b. False

11. There are generally three levels of management: first-line, middle, and top.
 - a. **True ***
 - b. False
12. A chain of command exists whenever one individual is made a subordinate of another.
 - a. **True ***
 - b. False
13. The process by which authority passes from one managerial level to another is known as deportation.
 - a. True
 - b. **False ***
14. Production, marketing, and finance are considered the major line units in a manufacturing firm, because they contribute directly to achieving the objectives of producing and selling goods at a profit.
 - a. **True ***
 - b. False
15. The city or municipal and county governmental structures provides funds, facilities, and leadership for recreational sport programming.
 - a. **True ***
 - b. False
16. Each branch of the four branches of the military and the coast guard are responsible for the Morale, Welfare, and Recreation (MWR) Services.
 - a. **True ***
 - b. False
17. Private clubs may limit their membership based on facility capacity, socioeconomic status, ethnicity, or religious beliefs.
 - a. **True ***
 - b. False
18. The state and national associations are for-profit corporations funded through member fees, media contracts, and sponsorships.
 - a. True
 - b. **False ***
19. The middle schools, high schools, and college and university athletic programs are supported by a variety of revenue sources including but, not limited to concessions, donations, media contracts, organizational contributions, student fees, sponsorships, and tax dollars.
 - a. **True ***
 - b. False
20. The professional sport program is governed by a variety of national sporting organizations including, but not limited to, Ladies Professional Golf Association, Major League Baseball, Major League Lacrosse, Major League Soccer, Minor League Baseball, National Basketball Association, National Football Association, and National Hockey Association.
 - a. **True ***
 - b. False

3

BUSINESS STRUCTURES

1. Sources of funding differ for nonprofit sport organizations, for profit sport businesses, sport stadia and arenas, and park and recreation operations.
 - a. **True ***
 - b. False
2. A nonprofit organization is one created under a special tax provision that is organized for profit.
 - a. True
 - b. **False ***
3. A nonprofit sport related business is generally incorporated and tax-exempted [501 (c)(3)] or is a governmental agency.
 - a. **True ***
 - b. False
4. Sole proprietorship is a form of business organization in which an individual is fully and personally liable for all the obligations (including debts) of the business is entitled to all of its profits and exercises complete managerial control.
 - a. **True ***
 - b. False
5. A general partnership does not have the right to participate in the management of the partnership and has general unlimited personal liability for its debts.
 - a. True
 - b. **False ***
6. A Limited Liability Corporation (LLC) is a legal entity existing separately from its owners and is created when proper articles of organization (or the equivalent, under the laws of a particular state) are filed with the proper state authority and all fees are paid.
 - a. **True ***
 - b. False
7. An S Corporation is an organization formed under state or federal law.
 - a. True
 - b. **False ***
8. A C Corporation is a corporation which elects to be treated as a partnership for tax purposes and are, therefore, not subject to double taxation.
 - a. True
 - b. **False ***
9. Starting and managing a business requires motivation, desire, and talent.
 - a. **True ***
 - b. False

10. The process of developing a business plan will help in thinking through some important issues that the organization may not have considered.
 - a. **True ***
 - b. False
11. Some of the most common reasons for starting a business are being your own boss, wanting financial independence, and creative freedom.
 - a. **True ***
 - b. False
12. Regional parks or recreation areas or districts are generally under state, county, or municipality control.
 - a. True
 - b. **False ***
13. The department of parks and recreation oftentimes share facilities with the local school district to provide recreation programming.
 - a. **True ***
 - b. False
14. It is imperative that the sport organization managers work with their counterparts in the public sector to gain public support for funding of the sport organization.
 - a. **True ***
 - b. False
15. In the public political arena, the manager must be able to assess the political turf and understand how the system works in the local community as well at the state, regional, and national levels.
 - a. **True ***
 - b. False
16. A good manager understands all aspects of the political environment and is able to work with and through people to achieve organizational objectives.
 - a. **True ***
 - b. False
17. Every manager needs to develop an advocacy strategy for each and every aspect regarding future growth and public awareness of the organization he/she represents.
 - a. **True ***
 - b. False
18. The Small Business Administration offers a tutorial on preparing a solid plan with all its essential ingredients.
 - a. **True ***
 - b. False
19. The business plan is a flexible document that should change as the business grows.
 - a. **True ***
 - b. False
20. An S Corporation is an artificial entity legally separate from its owners.
 - a. True
 - b. **False ***

4

BUDGET AND FINANCIAL MANAGEMENT

1. Essentials of a budget include the following:
 - a. Controlling resources
 - b. Communicating plans to strive to achieve budget goals
 - c. Evaluating the performance of managers
 - d. Maintaining accountability
 - e. **All of the Above ***
2. The budget is a part of the foundation upon which an organization justifies its mission.
 - a. **True ***
 - b. False
3. A budget is an estimate of revenue and expenses for a given period of time, usually 6-7 years.
 - a. True
 - b. **False ***
4. The budget of the organization is determined by the organization's goals and objectives.
 - a. **True ***
 - b. False
5. This type of budgeting organizes expenditures in main classes of expenditures and provides detail for the main classifications:
 - a. **Classification ***
 - b. Line Item
 - c. Fee Based
 - d. Program
6. This type of budgeting is considered to be one of the most effective methods of determining and identifying the actual expenditure requirements of a program.
 - a. Classification
 - b. Performance
 - c. Line Item
 - d. **Fee Based ***
 - e. Program
7. This type of budgeting is the oldest and most common form of budgeting, which has its roots firmly planted in government and one reason behind its extensive government use is that it allows for financial control and accountability.
 - a. Classification
 - b. **Line Item ***
 - c. Fee Based
 - d. Performance
 - e. Program

8. This type of budgeting presents expenditures in the form of department functions or activity areas and emphasizes outcomes rather than cost inputs.
 - a. Performance
 - b. Classification
 - c. Line Item
 - d. Fee Based
 - e. Program ***
9. This type of budgeting will help the administrator answer the questions regarding the relationship between dollars spent and program impact and emphasizes this type of budget is on what is achieved with the dollars spent.
 - a. Performance ***
 - b. Classification
 - c. Line Item
 - d. Fee Based
 - e. Program
10. Zero-based budgets are a variation of the performance budget.
 - a. True ***
 - b. False
11. The function budget is a method of describing the cost of a program or activity by determining the cost of the various functions which that organization performs.
 - a. True ***
 - b. False
12. Activity-based budgeting attempts to tie the expenditure for activities to work load measures as does the performance base budget method.
 - a. True
 - b. False ***
13. The unit budget classifies the expenditures according to the organizational unit, such as the administrative division, program division, sales division, marketing division, facilities division, and maintenance division.
 - a. True ***
 - b. False
14. The running budget style provides a day-to-day running account of the fiscal resources enabling the administrator to make adjustments before, rather than after, critical financial issues.
 - a. True ***
 - b. False
15. A capital budget is an operations budget.
 - a. True
 - b. False ***
16. The general purposes of a mission driven budget includes providing flexibility to the budgeting process and to managers who must administer that process; allowing quicker and more effective response to changing needs of patrons and the economy; and increasing fiscal accountability and entrepreneurship among employees.
 - a. True ***
 - b. False

17. Which of the four elements of a results-oriented budget provides structure for the budget?
- a. Desired outcomes are defined in advance
 - b. The budget defines the outcomes desired based on mission and goals
 - c. Measures track mission and goal(s)
 - d. A cost is assigned for each unit of service
 - e. **All of the Above ***
18. There are internal and external factors that can also impact budget preparation.
- a. **True ***
 - b. False
19. Effective budget management is the result of continuous long-range planning, review, evaluation, and preparation.
- a. **True ***
 - b. False
20. The first step in preparation of a budget is the establishment of fiscal, operational, and policy guidelines that will affect the preparation of the budget.
- a. **True ***
 - b. False

5

FINANCIAL ACCOUNTABILITY AND ANALYSIS

1. Goals and objectives can be thought of as being separated into three distinct categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.
 - a. **True ***
 - b. False
2. By reviewing balance sheets, income statements, and cash flow statements, a manager can obtain an overview of the financial solvency of the organization and its ability to withstand economic hardship.
 - a. **True ***
 - b. False
3. By properly analyzing revenue and investment potential, along with costs, the manager can better utilize the financial resources of the organization.
 - a. **True ***
 - b. False
4. By definition, external control is a process designed to provide reasonable assurance regarding the achievement of the organization's financial reporting objectives.
 - a. True
 - b. **False ***
5. By definition, accountability is a state of being accountable.
 - a. **True ***
 - b. False
6. A computerized point-of-sale system establishes and monitors internal controls.
 - a. **True ***
 - b. False
7. The objectives for each group are achieved by objectively determining mixes of procedures from the components of internal control.
 - a. True
 - b. **False ***
8. There are three major components of a control procedure, including controlling, risk assessment, controlling activities, and information and communication.
 - a. True
 - b. **False ***
9. The process of identifying financial risks and the consequences of such risks as related to control activities is known as risk assessment.
 - a. **True ***
 - b. False
10. Nonprofit organizations are defined as private, self-governing organizations that exist to provide a particular service to the community.
 - a. **True ***
 - b. False

11. As government continues to decline in providing services due to legal and budget constraints, nonprofits have been filling the void by providing these needed services but unlike government agencies, nonprofits have not always been held to the same public scrutiny.
 - a. **True ***
 - b. False
12. There are nine specific responsibilities of a financial manager.
 - a. True
 - b. **False ***
13. Through financial analysis, managers can review financial statements, assess cash flow, and determine if the organization is financially sound.
 - a. **True ***
 - b. False
14. Assessing performance or accounting with respect to raising, handling, and using public or private money is a simple issue.
 - a. True
 - b. **False ***
15. The balance sheet shows the following:
 - a. changes in the business over a period of time
 - b. growth or decline in various phases of the business
 - c. the business's ability to pay debts
 - d. through ratios the financial position
 - e. **All of the above ***
16. Cash flow refers to:
 - a. **flow of cash into an organization ***
 - b. short-term financial planning
 - c. long-term financial planning
 - d. labor costs
17. There are five common types of financial ratios, including which of the following?
 - a. liquidity ratios
 - b. leverage ratio
 - c. turnover ratios
 - d. profitability ratios
 - e. **all of the above ***
18. Return on equity is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources.
 - a. True
 - b. **False ***
19. Return on assets or return on capital as the ratio of net income of a business during a year to its stockholders' equity during that year.
 - a. True
 - b. **False ***
20. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.
 - a. **True ***
 - b. False

6

FINANCIAL PLANNING

1. The goal of financial planning or management is to maximize the current value of the organization.
 - a. **True ***
 - b. False
2. The financial planner for a sport organization needs to link together the organization's goals and objectives but not the short- and long-term financial plan.
 - a. True
 - b. **False ***
3. Budgets are integral parts of financial planning, and are designed to strictly guide an organization through a financial calendar year, budget cycle, or a fiscal year.
 - a. True
 - b. **False ***
4. Budgets do not aid an organization in determining what funds are available after fixed costs, routine or annual expenses, and how much money may be available for special projects.
 - a. True
 - b. **False ***
5. A recreation and sport organization must develop a sound strategic plan that includes establishment of the organization's objectives, design of the organization's structure, recruitment and selection of qualified employees, inducing individuals and groups to cooperate, and determining whether or not the organization's objectives have been obtained.
 - a. **True ***
 - b. False
6. The financial staff's task is to retire products and services.
 - a. True
 - b. **False ***
7. The financial staff's task is to complete financial planning and forecasting.
 - a. **True ***
 - b. False
8. External data are data that is generated by the organization itself and may include areas such as past budgets, sales records, and human resources reports. This type of data is primary data.
 - a. True
 - b. **False ***
9. Internal data may be gathered from resources outside of the organization to help determine the impact of factors such as the local, state, national, and world economy, and demographic and geographic information.
 - a. True
 - b. **False ***

10. External data are often referred to as secondary data because it is compiled and published by another organization.
 - a. **True ***
 - b. False
11. Cash flow is the difference between the number of dollars that came in and the number that went out.
 - a. **True ***
 - b. False
12. Operating cash flow is an important number because it tells the sport manager whether or not an organization's cash inflows from its business operations are sufficient to cover its everyday cash outflows.
 - a. **True ***
 - b. False
13. Cash flow budget is a forecast of cash receipts and disbursements for the next planning period.
 - a. **True ***
 - b. False
14. Profit margin is the difference between the cost and the selling price of goods produced and services rendered.
 - a. True
 - b. **False ***
15. Margin is a profitability measure that defines the relationship between sales and net income.
 - a. True
 - b. **False ***
16. Capital budgeting deals with investment decisions involving fixed assets (i.e., equipment, buildings, accumulated depreciation for equipment and buildings).
 - a. **True ***
 - b. False
17. Long-term planning is considered any type of planning that is at least five years into the future.
 - a. **True ***
 - b. False
18. When preparing a financial plan, the manager must review all aspects of the organization and make decisions for its future stability and profitability.
 - a. **True ***
 - b. False
19. Short-term credit is generally expensive, slower, and less flexible than long-term capital, but it is a riskier less dependable source of financing.
 - a. True
 - b. **False ***
20. Community equity is the sum of the par value (i.e., the principal amount of a bond that is repaid at the end of the term), capital in excess of par, and accumulated retained earnings.
 - a. True
 - b. **False ***

7

PURCHASING AND INVENTORY MANAGEMENT

1. The ultimate goal of the purchasing process is to provide the organization with the best product at the lowest price.
 - a. True
 - b. False ***
2. There four common types of business costs: variable, semi-variable, fixed, and semi-fixed.
 - a. True
 - b. False ***
3. A variable cost is a periodic cost that varies in step with the output or the sales revenue of a company.
 - a. True ***
 - b. False
4. Fixed costs vary with the amount of activity, but they are not directly proportional to the amount of the activity.
 - a. True
 - b. False ***
5. Semi-variable costs are periodic costs that remain more or less unchanged irrespective of the output level or sales revenue, such as depreciation, insurance, interest, maintenance, rent, salaries, and wages.
 - a. True
 - b. False ***
6. Hidden costs are those not normally included in the purchase price of an equipment or machine, such as for maintenance, supplies, training, and upgrades.
 - a. True ***
 - b. False
7. The purchasing process involves 1) the selection process, 2) needs assessment, and 3) procurement.
 - a. True ***
 - b. False
8. The procurement process usually begins with a purchase request and ends with a purchase order, delivery and payment of the invoice.
 - a. True ***
 - b. False
9. There are two types of inventory: existing and consumable.
 - a. True
 - b. False ***

10. Purchasing quality equipment can be very economical in the long run even though the organization may have to pay higher initial costs.
 - a. **True ***
 - b. False
11. The program should not be the determining factor in selecting the equipment and supplies needed.
 - a. True
 - b. **False ***
12. The purchase order (PO) is an official request from the organization to the vendor to deliver a specific item at a specific price.
 - a. **True ***
 - b. False
13. The purchase order is usually synonymous with voucher.
 - a. **True ***
 - b. False
14. Most governmental units, such as schools and universities, encourage direct purchasing.
 - a. True
 - b. **False ***
15. The bidding process usually involves the intention to purchase, identification of specifications, vendors deciding upon cheapest price at which to sell, and the submission of this figure as an official bid on the product.
 - a. **True ***
 - b. False
16. In the bid process, quality can suffer.
 - a. **True ***
 - b. False
17. The bid process is a fast process.
 - a. True
 - b. **False ***
18. Developing written specifications helps to guarantee fair comparisons of bids when alternatives are proposed.
 - a. **True ***
 - b. False
19. It is recommended to allow two to four weeks for the product to be delivered on site.
 - a. True
 - b. **False ***
20. The bidding process can take between four and six weeks before the purchase order is released.
 - a. **True ***
 - b. False

8

UNDERSTANDING THE REVENUE STREAMS

1. There are two categories that taxes fall under: real estate taxes and personal property taxes.
 - a. True
 - b. False ***
2. Hard taxes commonly include the following: local income, real estate, personal property, general sales, and wheel.
 - a. True ***
 - b. False
3. Hard taxes require government and voter approval.
 - a. True
 - b. False ***
4. Personal property tax includes tangible property (e.g., furniture, machinery, automobiles, jewelry, artwork, etc.) and intangible property (e.g., stocks, taxable bonds, and insurance).
 - a. True ***
 - b. False
5. Soft taxes are they borne by a select and relatively smaller portion (e.g., generally tourists) of taxpayers and are easier to levy.
 - a. True ***
 - b. False
6. Soft taxes generally do not require a voter referendum.
 - a. True ***
 - b. False
7. Car rental, gaming, hotel-motel, and restaurant taxes are examples of hard taxes.
 - a. True
 - b. False ***
8. There are five common sin taxes imposed on the sale of alcohol, gambling, marijuana, prostitution (Nevada only), and tobacco.
 - a. True ***
 - b. False
9. Sport district tax is a type of financing is similar to tax increment financing.
 - a. True ***
 - b. False
10. Tax abatement, like tax increment financing, will exempt an organization's assets from property taxation for a given period of time.
 - a. True
 - b. False ***

11. Naming rights is an example of private funding sources.
 - a. **True ***
 - b. False
12. Other main sources of private funding mechanisms are luxury seats, premium seating, and personal seat licenses.
 - a. **True ***
 - b. False
13. Newer examples of private funding mechanisms are power/loaded tickets and single-game rental/party suites or cabanas.
 - a. **True ***
 - b. False
14. There are 12 common types of broadcast media.
 - a. True
 - b. **False ***
15. For any business, there are two ways to pay for investments: debt and equity financing.
 - a. **True ***
 - b. False
16. Equity financing is simply borrowing funds to pay for an investment.
 - a. True
 - b. **False ***
17. Debt financing means selling a percentage of the firm to investors.
 - a. True
 - b. **False ***
18. A bond is defined as an interest-bearing certificate issued by a government or corporation, promising to pay interest and to repay a sum of money (the principle) at a specified date in the future.
 - a. **True ***
 - b. False
19. There are basically three types of government bonds: full-faith and credit obligations, certificates of participation, and non-guaranteed.
 - a. True
 - b. **False ***
20. Asset-backed securitizations (ABS) are secured by selling future cash flow through bundling such revenue streams as long-term naming rights agreements, luxury suite leases, concession contracts, and long-term corporate sponsorship deals.
 - a. **True ***
 - b. False

9

COMMERCIAL/CORPORATE SPONSORSHIPS

- Commercial/corporate sponsorship is a form of advertising in which companies pay to be associated with certain events.
 - True ***
 - False
- There are nine common types of sport sponsorship platforms.
 - True
 - False ***
- There are six common criteria that nonprofit fundraisers expect to be used by most companies in assessing the request to become involved as a sponsor.
 - True
 - False ***
- In addition to the advertising and promotional aspects of commercial/corporate sponsorship, it also provides benefits in the area of community relations.
 - True ***
 - False
- A sponsorship is when a company or organization pays a promoter or organization a fee for the right to associate itself and its products with an event.
 - True ***
 - False
- A sponsorship could damage a sponsor's public image.
 - True ***
 - False
- There are four key benefits, according to a sport sponsorship.
 - True
 - False ***
- There are commonly four types of sponsorships offered.
 - True ***
 - False
- The media sponsors usually provide a predetermined amount of advertising support for the event as well as money.
 - True
 - False ***
- Other sponsorship categories include associate, partner, and specialty sponsorships.
 - True ***
 - False

11. Ambush marketing is a planned effort by an organization to associate indirectly with an event to gain at least some of the recognition and benefits that are associated with being an official sponsor.
 - a. **True ***
 - b. False
12. A commercial/corporate sponsorship is financial support in the form of cash, in-kind products, or services in exchange for exposure or recognition to an audience.
 - a. **True ***
 - b. False
13. There are four common types of commercial/corporate sponsorship.
 - a. True
 - b. **False ***
14. An unsolicited sponsorship is one where the sponsor makes the first contact based on general knowledge, hearsay, or third party reference as to the availability of an event and the opportunity to sponsor.
 - a. **True ***
 - b. False
15. There are three common types of sponsorship options.
 - a. **True ***
 - b. False
16. A sponsorship is an investment, in cash or in kind, in return for access to exploitable business potential associated with an event or highly publicized entity.
 - a. **True ***
 - b. False
17. There is a standard format for a sport sponsorship proposal.
 - a. True
 - b. **False ***
18. A successful commercial/corporate sponsorship will guarantee the sponsor a return on investment.
 - a. True
 - b. **False ***
19. Is it important how many times does a spectator view scoreboard signage during the course of a game?
 - a. **Yes ***
 - b. No
20. The challenge with spectator sport is determining the number of impressions generated by on-site visual media.
 - a. **True ***
 - b. False

10

LICENSING AND BRANDING

1. License products are those items of clothing or other products bearing the name or logo of a popular sport organization.
 - a. **True ***
 - b. False
2. Licensing has become a significant revenue stream for most sport organizations.
 - a. **True ***
 - b. False
3. The use of brand, brand name, brand mark, or trademark in exchange for royalties provides an insignificant additional source of revenue for the organization.
 - a. True
 - b. **False ***
4. Licensing as a contractual agreement whereby a company may use another company's trademark in exchange for a royalty or fee.
 - a. **True ***
 - b. False
5. There are six common factors contributing to the growth in sales of licensed products.
 - a. True
 - b. **False ***
6. Licensing also allows for protection under the law.
 - a. **True ***
 - b. False
7. In-house licensing involves the appointment of staff to oversee the program.
 - a. **True ***
 - b. False
8. Outsourced licensing involves the procurement of the services of an outside licensing agent or management company.
 - a. **True ***
 - b. False
9. There are three factors that determine the need and staff size for a licensing program.
 - a. **True ***
 - b. False
10. Royalty guarantees are commonly due at license agreement execution, are a form of earnest money that acts as an incentive for the licensee to generate a particular volume of sales of the licensor's product.
 - a. True
 - b. **False ***

11. Advanced royalty fees are minimum royalty production thresholds established by the licensor and commonly contained within the basic license agreement for the duration of the contract.
 - a. True
 - b. False ***
12. A royalty report summarizes all sales activity for the defined period of time and includes any payment due.
 - a. True ***
 - b. False
13. License exclusivity is a license limited to a specific scope or field, such as context, market, territory, or time.
 - a. True ***
 - b. False
14. Trademark is a word, symbol, or device used by a manufacturer or merchant to identify its goods and distinguish them from those manufactured or sold by others.
 - a. True ***
 - b. False
15. Trademark infringement is the reproduction, counterfeiting, copying, or imitating in commerce of a registered or non-registered trademark.
 - a. True
 - b. False ***
16. A brand is the name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers.
 - a. True ***
 - b. False
17. In accounting, a brand is defined as a tangible asset is often the most valuable asset on a corporation's balance sheet.
 - a. True
 - b. False ***
18. A brand is the most valuable elements in an advertising theme, as it demonstrates what the brand owner is able to offer in the marketplace.
 - a. True
 - b. False ***
19. Brand awareness refers to customers' ability to recall and recognize the brand under different conditions and link to the brand name, logo, jingles, and so on, to certain associations in memory.
 - a. True ***
 - b. False
20. Brand parity is the perception of the customers that some brands are equivalent.
 - a. True ***
 - b. False

11

THE FRANCHISE GAME

1. Franchising is defined as a tool for marketing goods and services.
 - a. **True ***
 - b. False
2. There are four basic features of a typical franchise financial arrangement.
 - a. **True ***
 - b. False
3. A major disadvantage of franchising is total control over day-to-day operations.
 - a. True
 - b. **False ***
4. A sport franchise can be a team franchise in the case of a professional sport team or it can be a product manufacturer such as an apparel company entering into a licensing agreement.
 - a. **True ***
 - b. False
5. A sport franchise gains admittance into a league in one of five primary ways.
 - a. True
 - b. **False ***
6. A sport franchise has a negative impact on local taxes.
 - a. **True ***
 - b. False
7. Generally soft taxes are impacted more than hard taxes when a sport franchise is involved.
 - a. **True ***
 - b. False
8. A common side effect of attracting a sport franchise is the need to build new stadiums and arenas to house the franchise.
 - a. **True ***
 - b. False
9. There is an increase in tourism dollars from sport franchise, and there is also significant income growth to balance the cost of publicly subsidizing the franchise and facility.
 - a. True
 - b. **False ***
10. Sport franchises and their accompanying facilities are enthusiastically recruited by banks, real estate developers, insurance companies, construction firms, and elements of the tourism industry such as restaurants and hotels.
 - a. **True ***
 - b. False

11. Antitrust legislation will be considered when addressing complaints or desires to move the franchise.
 - a. **True ***
 - b. False
12. Franchising is a strategic alliance between groups of people who have specific relationships and responsibilities with a common goal to dominate markets.
 - a. **True ***
 - b. False
13. An advantage of a franchise is it provides an opportunity for the franchisor's business to grow through the capital and manpower provided by the franchisee.
 - a. **True ***
 - b. False
14. Entering into a franchise agreement, means you are buying a franchise.
 - a. True
 - b. **False ***
15. When you enter into an agreement to invest assets in a system to utilize the brand name, operating system and ongoing support.
 - a. **True ***
 - b. False

12

TICKET SALES AND BOX OFFICE OPERATION

1. The media rich NBA (i.e., long-term contracts with ABC, Fox, NBC, ESPN, and TNT) is the only professional league that ticket sales is not the most prominent revenue source.
 - a. True
 - b. **False ***
2. Ticket prices must be established based on market research not informed guesses.
 - a. **True ***
 - b. False
3. The primary product of the box office is public relations.
 - a. True
 - b. **False ***
4. The ticket is a product.
 - a. **True ***
 - b. False
5. The ticket is a souvenir for the patron.
 - a. **True ***
 - b. False
6. The ticket can be used to notify patrons of dangers by the inclusion of a warning on the backside of the ticket.
 - a. **True ***
 - b. False
7. There are nine different types of tickets used commonly.
 - a. **True ***
 - b. False
8. Discounting tickets for special groups of people (e.g., students, seniors, disabled, etc.) can assist in filling the house and provide a nice community service, but it reduces the overall revenue for the event which is a disadvantage.
 - a. True
 - b. **False ***
9. For each event, there is a beginning and an end.
 - a. **True ***
 - b. False
10. The beginning commences after the event is scheduled and the tickets are offered for sale.
 - a. **True ***
 - b. False

11. The ending is when the facility is empty.
 - a. True
 - b. False ***
12. Complimentary tickets (comps) are those given to individuals (e.g., visiting dignitary, politician, local hero, donor, key clients, family and friends of players and coaches, etc.) or groups (e.g., Boy Scouts, Girl Scouts, youth sport teams, elementary school teams, etc.).
 - a. True ***
 - b. False
13. There are three key preparation segments to any event.
 - a. True ***
 - b. False
14. The media will be issued press passes, photographer passes, or general media passes.
 - a. True ***
 - b. False
15. The mission of managers in club settings (i.e., golf, racquet, health and fitness, and multi-sport) focuses on developing optimal membership programs, selling and retaining memberships is the lifeblood of the sport club sector.
 - a. True ***
 - b. False

13

RETAIL AND SALES OPERATION

1. The simple definition of sales is it is the revenue-producing element of the marketing process.
 - a. **True ***
 - b. False
2. There are five common components in sales.
 - a. True
 - b. **False ***
3. The simple definition of sales is it is the revenue-producing element of the marketing process.
 - a. **True ***
 - b. False
4. Most authorities in sales suggest there are five components of selling.
 - a. True
 - b. **False ***
5. A good salesperson is a person who has the following traits: good listening skills, is comfortable speaking to people, an attitude to succeed, is customer friendly, a competitive spirit, enjoys people, a good sense of humor, and common sense.
 - a. **True ***
 - b. False
6. There are six common elements in determining the overall success and impact of the sales department.
 - a. True
 - b. **False ***
7. There are four commonly used marketing/sales techniques in the retail business: telemarketing, direct mail, virtual marketing, and personal selling.
 - a. **True ***
 - b. False
8. Telemarketing is a marketing approach that utilizes telecommunications technology as part of a planned, organized, and managed marketing program.
 - a. **True ***
 - b. False
9. Direct mail is a form of indirect marketing.
 - a. True
 - b. **False ***
10. Virtual marketing is advertising via the Internet.
 - a. **True ***
 - b. False

11. Retail operations within a recreation and/or sport organization can include concessions including beverage (i.e., alcoholic and nonalcoholic), fast food, and parking found when attending most sporting events, licensed and convenience products, and full-service restaurants.
 - a. **True ***
 - b. False
12. In addition to the dram shop statutes, there is another liability to be aware of known as the social host liability.
 - a. **True ***
 - b. False
13. Before charging for parking, the manager must ensure 12 common legal issues have been addressed.
 - a. True
 - b. **False ***
14. There are eight controls that should be implemented to ensure a smooth operation.
 - a. **True ***
 - b. False
15. The parking operation is second only to the box office in terms of direct contact between the facility and the patron.
 - a. **True ***
 - b. False
16. There are seven steps to being a good buyer that fit under the umbrella of B-U-Y W-I-S-E-L-Y.
 - a. True
 - b. **False ***
17. Operating a successful retail establishment comes down to the four Ms.
 - a. **True ***
 - b. False
18. There are the eight most common mistakes that retailers should avoid.
 - a. True
 - b. **False ***
19. There are two ways to become involved with the vending option-own or lease the machine or contract with a vending company for a commission.
 - a. **True ***
 - b. False
20. Bonding is an insurance agreement guaranteeing repayment for financial loss caused to the covered organization by the act or failure to act of a third person.
 - a. **True ***
 - b. False

14

CUSTOMER RETENTION: A KEY TO FINANCIAL STABILITY

1. There are nine factors that affect the retention of ticket-plan purchasers for entertainment and sporting events.
 - a. **True ***
 - b. False
2. The critical time period for retention is the first year of membership or the first few games attended by a fan.
 - a. **True ***
 - b. False
3. There are six ways to use a business survey.
 - a. True
 - b. **False ***
4. There are three types of surveys.
 - a. **True ***
 - b. False
5. Extending memberships is a constant challenge for club operators.
 - a. **True ***
 - b. False
6. Successful clubs in membership retention have seven fundamental strategies that play a critical role in maintaining high levels of membership satisfaction.
 - a. True
 - b. **False ***
7. The most powerful bonds for retaining members are established by instructors in a club setting.
 - a. **True ***
 - b. False
8. Renewals are cost effective because they are proven buyers who are already satisfied customers or ticket buyers.
 - a. **True ***
 - b. False
9. There are eight common recruiting cost components for new memberships.
 - a. **True ***
 - b. False
10. There are 12 management guidelines will assist in boosting membership retention.
 - a. True
 - b. **False ***
11. There are nine steps will create a reasonable set of goals to motivate employees to increase customer retention.
 - a. True
 - b. **False ***

12. The key to customer retention is developing highly motivated employees who enjoy people and their jobs.
 - a. **True ***
 - b. False
13. The secret to a high renewal rate is frequently a highly satisfied and motivated staff.
 - a. **True ***
 - b. False
14. The costs for a new membership can range from as little of 5% of the membership fee to well over 25%; however, the cost of renewing a membership is minimal in comparison.
 - a. True
 - b. **False ***
15. Retention largely depends on understanding the positive influences before the negative consequences are realized.
 - a. **True ***
 - b. False

15

OUTSOURCING SERVICES

1. Outsourcing is a practice used by different companies to reduce costs by transferring portions of work to outside suppliers rather than completing it internally.
 - a. **True ***
 - b. False
2. Outsourcing is an effective cost-saving strategy.
 - a. True
 - b. **False ***
3. Outsourcing is a form of contractual relationship that involves transferring ownership of a business process to a supplier of the process.
 - a. **True ***
 - b. False
4. A key element of outsourcing revolves around the transfer of control over the outsourced process.
 - a. **True ***
 - b. False
5. A Service Level Agreement, or SLA, defines important performance levels required by the buyer.
 - a. **True ***
 - b. False
6. There is a five-step approach for establishing a positive outsourcing arrangement.
 - a. True
 - b. **False ***
7. The non-core functions of the recreation/sport entity should be outsourced.
 - a. **True ***
 - b. False
8. It is important for the organization to determine early what the core and non-core functions of the recreation/sporting entity should entail.
 - a. **True ***
 - b. False
9. The recreation/sport organization should determine the benefits, establish the contract guidelines, set the price for the services, and implement the measures to manage the outsourcing contract.
 - a. True
 - b. **False ***
10. Outsourcing often requires total loss of control of part of the company.
 - a. **True ***
 - b. False

11. A common reason why facility managers self-operate concessions is because concessionaires were uncooperative.
 - a. **True ***
 - b. False
12. Those who decide to outsource need to be certain they have a sound contractual agreement with the vendor.
 - a. **True ***
 - b. False
13. There are four typical concessionaire contracts used when outsourcing services.
 - a. True
 - b. **False ***
14. The management fee agreement provides for the concessionaire to receive a management fee based on gross receipts.
 - a. **True ***
 - b. False
15. The management fee agreement eliminates the risk of financial loss to the facility.
 - a. True
 - b. **False ***
16. The commission fee agreement insulates the facility from daily operating decisions.
 - a. **True ***
 - b. False
17. The management fee agreement encourages regular input from the facility manager on a regular basis.
 - a. **True ***
 - b. False
18. The management fee agreement simplifies the auditing of the concessionaire's operations.
 - a. True
 - b. **False ***
19. The commission agreement provides for the concessionaire to pay the venue operator a percentage of the concessionaire's gross receipts.
 - a. **True ***
 - b. False
20. The management fee agreement has a profit incentive clause based on the net profits.
 - a. **True ***
 - b. False

16

THE ABC'S OF MARKETING

1. Marketing is a total system of interacting business activities designed to plan, price, promote, and distribute programs, products, and services to meet the needs of present and potential customers.
 - a. **True ***
 - b. False
2. Marketing is comprised of all activities designed to meet the needs of consumers through an exchange process.
 - a. True
 - b. **False ***
3. Sport marketing has developed into four major thrusts.
 - a. True
 - b. **False ***
4. Advertising is a form of communication that typically attempts to persuade potential customers to purchase or to consume more of a particular brand of product or service.
 - a. **True ***
 - b. False
5. There are two major factors of marketing including the recruitment of new customers (acquisition) and the retention and expansion of relationships with existing customers (base management).
 - a. **True ***
 - b. False
6. For a marketing plan to be successful, the mix of the five "Ps" must reflect the wants and desires of the consumers or shoppers in the target market.
 - a. True
 - b. **False ***
7. For a marketing plan to be successful, the mix of the four "Ps" must reflect the wants and desires of the consumers or shoppers in the target market.
 - a. **True ***
 - b. False
8. There are six common strategic components of the marketing management process.
 - a. True
 - b. **False ***
9. Intangible components of a product and/or service are those feelings and emotions that the consumer associates with the product/service.
 - a. True
 - b. **False ***
10. The marketing mix consists of the product, price, place, and promotion.
 - a. **True ***
 - b. False

11. There are commonly three times when prices should be increased.
 - a. **True ***
 - b. False
12. When we can see, feel, and touch a product, it is intangible.
 - a. True
 - b. **False ***
13. Tangible components of a product and/or service are those feelings and emotions that the consumer associates with the product/service.
 - a. True
 - b. **False ***
14. Market segmentation consists of taking the total, heterogeneous market for a product or service and dividing it into several submarkets, each of which tends to be homogeneous in all significant aspects.
 - a. **True ***
 - b. False
15. The majority fallacy assumes that the largest group of consumers should always be selected as the target market.
 - a. **True ***
 - b. False
16. Promotion consists of all the activities involved in presenting to a group a non-personal, oral or visual, openly sponsored message regarding a service, product, or program.
 - a. True
 - b. **False ***
17. A business can use a variety of pricing strategies when selling a product or service.
 - a. **True ***
 - b. False
18. An advertising campaign is a planned, coordinated, and integrated series of promotional efforts built around a single theme or idea and designed to reach a predetermined goal.
 - a. True
 - b. **False ***
19. Consumer behavior as the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.
 - a. **True ***
 - b. False
20. Social media marketing is a form of Internet marketing that implements various social media networks in order to achieve marketing communication and branding goals.
 - a. **True ***
 - b. False

17

FUNDAMENTALS OF FUND-RAISING

1. Fund-raising is the art of soliciting money for charitable organizations, schools, colleges/universities, political parties, and many other worthy projects and organizations.
 - a. **True ***
 - b. False
2. The responsibility for initiating a fund-raising program must rest with middle management of the organization.
 - a. True
 - b. **False ***
3. A case statement is a clear, concise, and compelling explanation why the organization merits the support of its members and others.
 - a. **True ***
 - b. False
4. The case statement could reflect the organization's mission and beliefs in compelling terms, which are relevant to its members/customers/fans and to other constituencies.
 - a. True
 - b. **False ***
5. The case statement should be built around sections including challenges faced by the organization, history of the organization, current history and services, unique abilities of the organization to meet the challenges it faces, and plans for financial sustainability in the future.
 - a. **True ***
 - b. False
6. The donor prospect continuum stretches from the cold prospect phase to the warm prospect phase to the committed prospect phase.
 - a. **True ***
 - b. False
7. The fund-raising operating plan should concisely explain the organization, methodology, and goals of the organization's fund-raising program.
 - a. **True ***
 - b. False
8. There are 10 elements of the fund-raising operating plan.
 - a. True
 - b. **False ***
9. There are 15 guidelines that should be considered when developing a fund-raising plan.
 - a. True
 - b. **False ***
10. There are seven key components of a fund-raising program.
 - a. **True ***
 - b. False

11. Fund-raising support groups (i.e., athletic booster clubs or band booster clubs) are very useful tools in the fund-raising arsenal.
 - a. **True ***
 - b. False
12. There should be no benefits provided contributors.
 - a. True
 - b. **False ***
13. Athletic booster clubs are very successful fund-raising instruments in interscholastic, inter-collegiate, and youth sports.
 - a. **True ***
 - b. False
14. Fund-raising support groups should be allowed a say in how money is used.
 - a. True
 - b. **False ***
15. The most successful and economical method of fund-raising is face-to-face asks after cultivation has taken place.
 - a. **True ***
 - b. False

18

BUSINESS STRUCTURES

1. Committees are clearly one of the most important tools available to executives.
 - a. **True ***
 - b. False
2. A committee can provide a vital link with the attitudes of members and the world of actual practice.
 - a. **True ***
 - b. False
3. A committee is a large, deliberative assembly that is usually intended to remain subordinate to another, deliberative assembly—which when organized so that action on committee requires a vote by all its entitled members is called the committee of the whole.
 - a. True
 - b. **False ***
4. The most common reason for forming a committee is the desire for group participation in the solving of a problem.
 - a. **True ***
 - b. False
5. Committees almost always cost less than the work of an individual.
 - a. True
 - b. **False ***
6. Committees can accelerate a timetable.
 - a. True
 - b. **False ***
7. A leadership struggle often has to be completed in the opening rounds of committee action.
 - a. **True ***
 - b. False
8. Committees may be classified according to function or longevity or both.
 - a. **True ***
 - b. False
9. An ad hoc or special committee performs a continuing function and operates indefinitely.
 - a. True
 - b. **False ***
10. The primary function of a committee is to contribute to the efficient operation of an organization.
 - a. **True ***
 - b. False
11. A standing committee is organized with a specific objective or problem in mind and usually disbands after its work is completed.
 - a. True
 - b. **False ***

12. Committees generally fall into four categories.
 - a. **True ***
 - b. False
13. The size of the committee is primarily determined by its purpose and the nature of its work.
 - a. **True ***
 - b. False
14. Committees need to establish rules of order for smooth operation of the committee.
 - a. **True ***
 - b. False
15. Committee members must be selected for more than their ability to fill a chair, represent a faction, or constitute a quorum.
 - a. **True ***
 - b. False

19

GRANTSMANSHIP

1. The best technique for developing sound proposal ideas and alternatives is brainstorming.
 - a. **True ***
 - b. False
2. There are nine steps generally employed to obtain maximum benefit from brainstorming.
 - a. True
 - b. **False ***
3. Defining the proposal in a broad perspective will doom the project to failure.
 - a. True
 - b. **False ***
4. There are seven basic needs-assessment approaches commonly used.
 - a. True
 - b. **False ***
5. The key to needs assessment is choosing the approach.
 - a. **True ***
 - b. False
6. Advocates are those people or organizations that support the organization and/or project.
 - a. **True ***
 - b. False
7. There are five common markets for funding sources.
 - a. True
 - b. **False ***
8. Government grants fall into four categories.
 - a. **True ***
 - b. False
9. There are six basic classifications for foundations.
 - a. True
 - b. **False ***
10. There are five key steps in the process of making an appointment with a funder.
 - a. **True ***
 - b. False

20

AFFILIATED FUND-RAISING ORGANIZATIONS

1. An affiliated fund-raising organization (AFO) (i.e., athletic booster club, youth soccer booster club, park and recreation foundation, etc.) is a separate legal entity that serves as a nonprofit or governmental organization for fund-raising.
 - a. **True ***
 - b. False
2. An AFO is a for-profit entity organized to raise funds for a recreation and/or sport organization.
 - a. True
 - b. **False ***
3. The AFO is governed by a board of directors.
 - a. **True ***
 - b. False
4. The AFO should be organized as nonprofit and tax-exempt entity.
 - a. **True ***
 - b. False
5. A booster club is established to accomplish certain definite purposes for its members.
 - a. **True ***
 - b. False
6. There are three types of policies that need to be developed in an AFO.
 - a. True
 - b. **False ***
7. Policies are working methods.
 - a. True
 - b. **False ***
8. External policies have an influence on internal policies, and for that reason, external policies and internal policies overlap to some extent.
 - a. **True ***
 - b. False
9. Procedures, being detailed step-by-step instructions, can help in the training of new employees.
 - a. **True ***
 - b. False
10. Procedures are guiding principles.
 - a. True
 - b. **False ***

21

BUSINESS STRUCTURES

1. The 20% rule = 20% of the volunteers will do nearly all that is asked of them.
 - a. True
 - b. False ***
2. The 25% rule = refers to those individuals who are truly effective, who are the real producers and “result getters.”
 - a. True
 - b. False ***
3. Written job descriptions delineate volunteers’ responsibilities and are a key part of a risk management plan for the organization.
 - a. True ***
 - b. False
4. A recruiting program is not necessary to build the volunteer ranks.
 - a. True
 - b. False ***
5. An orientation program should be developed for volunteers.
 - a. True ***
 - b. False
6. Training programs are not necessary for volunteers.
 - a. True
 - b. False ***
7. A retention program needs to be developed to retain volunteers.
 - a. True ***
 - b. False
8. There should not be a recognition programs for volunteers.
 - a. True
 - b. False ***
9. There should be an evaluation system for volunteers.
 - a. True ***
 - b. False
10. There should be mentoring system developed for volunteers.
 - a. True ***
 - b. False

22

FINANCIAL CHALLENGES FACING SPORT ORGANIZATION

**SEE INSTRUCTOR'S MANUAL FOR EDUCATION EXERCISES FOR THIS CHAPTER.
THERE ARE NO OBJECTIVE QUESTIONS FOR THIS CHAPTER.**

23

INSURANCE

1. Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment.
 - a. **True ***
 - b. False
2. Insurance is a form of risk management primarily used to hedge against the risk of a uncertain loss.
 - a. **True ***
 - b. False
3. The insured is a company selling the insurance.
 - a. True
 - b. **False ***
4. The insurer is the person or entity buying the insurance policy.
 - a. True
 - b. **False ***
5. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.
 - a. **True ***
 - b. False
6. The insurance transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate.
 - a. **True ***
 - b. False
7. Owners should renew their coverage without considering new improvements in facilities and equipment, additional programming and services, new staff, and revenue increases.
 - a. True
 - b. **False ***
8. Property insurance covers facilities, equipment, and personal property.
 - a. **True ***
 - b. False
9. Commercial liability insurance provides income during reconstruction after a loss by an insured peril (e.g., fire, flood, hurricane, tornado, or earthquake).
 - a. True
 - b. **False ***
10. Business expense insurance includes professional liability, fire legal liability, and medical payments liability.
 - a. True
 - b. **False ***

11. Employment practices liability insurance covers the organization for wrongful termination, employment-related acts of discrimination (e.g., disability, race, handicap, religion, creed, age, gender, sexual orientation, sexual preference, pregnancy, and national origin), wrongful discipline, defamation, invasion of privacy, misrepresentation, negligent evaluation, equal pay violation, wrongful infliction of emotional distress or retaliation, break of employment contract, negligent evaluation, wrongful deprivation of career opportunity, failure to employ or promote, sexual abuse and molestation, and sexual harassment.
 - a. **True ***
 - b. False
12. Special liability insurance covers replacement of HVAC (heating, ventilation, and air conditioning) equipment, pumps, and other mechanical aspects of the facility.
 - a. True
 - b. **False ***
13. Machinery and equipment insurance covers environmental impairment including pollution caused by chemicals, waste in waterways, or dispersed into the air.
 - a. True
 - b. **False ***
14. Being bonded means that a bonding company has secured money that is available to the consumer in the event they file a claim against the company.
 - a. **True ***
 - b. False
15. Employee benefit insurances include employee benefits.
 - a. **True ***
 - b. False
16. Crime insurance includes perils such as forgery, theft, destruction, computer fraud, and extortion by employees.
 - a. **True ***
 - b. False
17. The amount of money to be charged for a certain amount of insurance coverage is called the premium.
 - a. **True ***
 - b. False
18. The cost of premiums can be increased by opting for higher deductibles or not taking the initiative of hiring a risk management expert to survey the facilities and programs for unsafe conditions.
 - a. True
 - b. **False ***
19. Self-insurance usually means retaining financial risks to a substantial level through establishing a reserve fund to insure availability of cash when needed.
 - a. **True ***
 - b. False
20. If the experience is consistently good, the insurance company does not have to build in premiums to pay losses and take care of routine claims.
 - a. **True ***
 - b. False

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RISK MANAGEMENT AND TAXATION

1. There are six key elements of effective financial governance and oversight.
 - a. True
 - b. False ***
2. The responsibility of the board is to oversee an infrastructure that can define, analyze, and measure risk inherent in the firm's underlying financial risks and the instruments used to manage them.
 - a. True ***
 - b. False
3. Board-level risk definition efforts should include the development of a customized measurement and evaluation process that fits the company's risk tolerances, level of complexity, view of materiality, degree of centralization or decentralization, and desired level of detail.
 - a. True ***
 - b. False
4. The risk management policy should be viewed as the short-term blueprint for the management of financial risks within the organization.
 - a. True
 - b. False ***
5. Risk management must be a continuous process.
 - a. True ***
 - b. False
6. The risk management process begins with identifying and evaluating loss exposures.
 - a. True ***
 - b. False
7. There are three types of risks to be considered when discussing an organization's loss exposure.
 - a. True
 - b. False ***
8. There are five common sources of lost income.
 - a. True
 - b. False ***
9. A risk management program will identify potential ways in which income can be lost.
 - a. True ***
 - b. False
10. There are five types of liability losses that increased rapidly throughout the 1990s and into the new century.
 - a. True
 - b. False ***

11. The maximum possible loss refers to the total amount of financial harm a given loss could cause under the worst circumstances.
 - a. **True ***
 - b. False
12. The maximum probable loss is the most likely minimum amount of damage a peril might cause under the circumstances.
 - a. True
 - b. **False ***
13. Risk assumption means the chance of loss has been eliminated.
 - a. True
 - b. **False ***
14. Risk avoidance means that the consequences of a loss will be borne by the party exposed to the chance of loss.
 - a. True
 - b. **False ***
15. A self-insurance plan suggests that adequate financial arrangements have been made in advance to provide funds to pay losses should they occur.
 - a. **True ***
 - b. False
16. Risk transfer means the original party exposed to a loss is able to obtain a substitute party to bear the risk.
 - a. **True ***
 - b. False
17. A hold-harmless agreement as a contract entered into prior to a loss, in which one party agrees to assume a second party's responsibility should a loss occur.
 - a. **True ***
 - b. False
18. A tax as a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state such that failure to pay is punishable by law.
 - a. **True ***
 - b. False
19. The professional sports leagues' earnings are taxable.
 - a. True
 - b. **False ***
20. The "roster depreciation allowance" is an obscure section of tax law that allows professional sports teams to "write off" the declining value of player contracts.
 - a. **True ***
 - b. False

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TECHNOLOGY'S IMPACT ON RECREATION AND SPORT FINANCES

DISCUSSION QUESTIONS

- Should the board hire a technology consultant?
- Should there be a technology plan developed?
- How should the website be developed?
- What should be included on the website?
- How can the Internet be used in marketing programs and services in and outside the park?
- Should the board take advantage of email marketing?
- Should the board become involved in mobile marketing?
- How should the board take advantage of social media and its overall marketing plan?
- Should the board become involved with digital signage?

Note: There are no objective questions for this chapter.