

PART I Multiple Choice (20 Marks)

Instructions:

Candidates must answer ALL questions on the Scantron answer sheet by selecting the most appropriate answer for each question.

1. The Surgeon General's warning on cigarette packages about the health implications of smoking is an example of which of the following ethical issues?
 A) conflict of interest
 B) fairness and honesty
 C) communications
 D) relationships within a business
 E) none of the above

2. When ethical decisions are based around producing the greatest good for the greatest amount of people, it is said to be which type of ethical model?
 A) Moral rights model
 B) Justice Model
 C) Behavioural Model
 D) Utilitarian Model
 E) None of the above

3. Which of the following is NOT a stakeholder in an organization?
 A) shareholders
 B) employees
 C) suppliers
 D) local community
 E) all of these are stakeholders

4. The forces which exist in the external surroundings of the organization and which are likely to affect the organization in important ways are known as:
 A) the potential competitors.
 B) the organizational environment.
 C) the suppliers.
 D) the distributors.
 E) brand loyalty.

5. The process by which a division of labor occurs as different workers specialize in different tasks over time is known as:
 A) job specialization
 B) power
 C) behavioral management
 D) rules
 E) norms

6. Which of the following is an advantage of a partnership?
- A) unlimited liability
 - B) life of partnership
 - C) selling partnership
 - D) limited funding sources
 - E) ease of organization
7. Which of the following requires owners to perform many functions and possess diverse skills to make decisions?
- A) corporation
 - B) partnership
 - C) sole proprietorship
 - D) cooperative
 - E) holding company
8. When McDonald's decided to add breakfast to its hours of operation in order to increase its customers, this was an attempt to improve the organization's:
- A) effectiveness
 - B) planning
 - C) leading strategy
 - D) efficiency
 - E) none of the above
9. Which of the following is a force in the task environment:
- A) Technology
 - B) Economic
 - C) Global
 - D) Competitors
 - E) All of the above
10. A manager who makes a product which customers want to buy but attempts to sell it at a price that is higher than the one they are willing to pay is said to have:
- A) low efficiency/low effectiveness.
 - B) high efficiency/high effectiveness.
 - C) low efficiency/high effectiveness.
 - D) high efficiency/low effectiveness.
 - E) none of the above.

11. A manager who chooses the wrong goals for the organization and makes poor use of the organization's resources in pursuing these goals is said to have:
- A) low efficiency/high effectiveness.
 - B) high efficiency/high effectiveness.
 - C) low efficiency/low effectiveness.
 - D) high efficiency/low effectiveness.
 - E) none of the above.
12. The total value of all final goods and services within a nation's borders is called:
- A) Mercantilism
 - B) The Monetary System
 - C) Gross Domestic Product
 - D) The Toronto Stock Exchange
 - E) None of the above
13. Alternate products or services that can be used instead of existing products or services that allow a consumer to derive the same value are called?
- A) Partners
 - B) Substitutes
 - C) Distributors
 - D) Entry Barriers
 - E) Supplier Power
14. Which of the following is an example of restructuring?
- A) reducing the number of products
 - B) flattening the organization
 - C) closing plants
 - D) outsourcing the production of a product
 - E) all these choices are correct
15. If the product of a major competitor has a large market share, we say that this product has a large amount of:
- A) political force.
 - B) demographic force.
 - C) brand loyalty.
 - D) potential competition.
 - E) distributor loyalty.

16. An illegal agreement among companies to fix prices for their products is referred to as:
- A) cheque kiting
 - B) whistle-blowing
 - C) collusion
 - D) undercover advertising
 - E) none of the above
17. The cost advantages which are associated with large organizations are known as:
- A) brand loyalty.
 - B) barriers to entry.
 - C) boundary spanning.
 - D) gatekeeping functions.
 - E) economies of scale.
18. The systematic tendency to use information about others in ways that result in inaccurate perceptions is known as:
- A) stereotyping
 - B) bias
 - C) overt discrimination
 - D) the social status effect
 - E) the similar-to-me effect
19. When a manager takes responsibility for correcting an environmental problem that has been created by his or her company, this manager is acting in which type of role?
- A) Liaison
 - B) Disturbance handler
 - C) Leader
 - D) Disseminator
 - E) Figurehead
20. When WestJet allows the agent-in-charge at the gate to decide whether to give out a "free ticket" to some passengers when the flight is overbooked, this is an example of:
- A) innovation.
 - B) restructuring.
 - C) TQM.
 - D) empowerment.
 - E) none of the above.

21. The Classical Approach to Management included:

- A) rules and regulations.
- B) treating the human element as a raw material.
- C) therbligs.
- D) unity of command.
- E) all of the above.
- F) none of the above.

22. When the video game marketer Nintendo was investigated for allegedly raising prices excessively during the Christmas buying season and thereby manipulating the supply of games available at that time, this was an ethical issue concerned primarily with

- A) conflict of interest.
- B) communications.
- C) fairness and honesty.
- D) cost control.
- E) game rules.

23. Personal standards that govern how individuals interact with other people are known as:

- A) individual ethics
- B) behavioural ethics
- C) social auditing
- D) professional ethics
- E) proactive

24. The four essential managerial functions are:

- A) planning, organizing, leading, and controlling
- B) planning, organizing, demonstrating, and controlling
- C) planning, strategizing, demonstrating, and controlling
- D) planning, empowering, organizing, and controlling
- E) planning, leading, controlling, and empowering

25. All of the following would likely be found in a company's articles of incorporation except

- A) expected profitability of the corporation.
- B) classes of stock
- C) corporation objectives
- D) name and address of board of directors
- E) name and address of the corporation.

26. In which form of organization are employees most likely to feel left out?
- A) sole proprietorship
 - B) partnership
 - C) corporation
 - D) cooperative
 - E) none of the above
27. The use of confidential information to gain from the purchase or sale of stock is called:
- A) a strong investor
 - B) whistleblowing
 - C) insider trading
 - D) cheque kiting
 - E) snitching
28. Disregard for social responsibility, willingness to engage in and cover up unethical and illegal behaviour is known as a(n):
- A) obstructionist approach
 - B) defensive approach
 - C) accommodative approach
 - D) proactive approach
 - E) distributive approach
29. The manner in which doctors are to treat patients is known as:
- A) individual ethics
 - B) behavioural ethics
 - C) social auditing
 - D) professional ethics
 - E) proactive
30. In order to increase sales of a particular product, the president of Intel made a number of decisions concerning what organizational goals to pursue, what actions to take, and how to use the company's resources to achieve its goals. This is an example of:
- A) strategy
 - B) leading
 - C) organizing
 - D) motivating
 - E) structure

31. When Kellogg changed the name of its Heartwise cereal to Fiberwise, it was in response to growing concern from the public and the government about unsubstantiated health claims. The primary area of ethical concern in this case was questionable
- A) conflict of interest.
 - B) communications.
 - C) product design.
 - D) business relationships.
 - E) financing.
32. Ethical business decisions foster trust among the following individuals:
- A) buyers.
 - B) sellers.
 - C) borrowers.
 - D) lenders.
 - E) all of the above.
33. Which of the following should help reduce the incidence of unethical behaviour in an organization?
- A) understanding that individual moral standards, the influence of managers and coworkers, and opportunity influence ethical behaviour
 - B) maximizing ethical conflict in work groups
 - C) expanding opportunity by providing punishments for violations of the rules
 - D) overlooking violations of codes of ethics
 - E) all of the above
34. Which of the following is a disadvantage of a partnership?
- A) difficulty of selling ownership
 - B) ease of organizing business
 - C) specialization of partners
 - D) relatively fast decision making
 - E) limited government regulation
35. A store in Moncton, New Brunswick, which is part of a national chain, stocks religious candles in the store because its shoppers want to buy these items in this store, even though the typical store in this chain does not stock this item. This is an example of:
- A) the glass ceiling effect.
 - B) the ombudsman effect.
 - C) managing diversity.
 - D) social responsibility.
 - E) whistle-blowing.

36. A manager who attempts to create a feeling of enthusiasm and a strong feeling in his or her subordinates of "working as a team" is acting consistently with Fayol's principle of:
- A) remuneration of personnel.
 - B) equity.
 - C) esprit de corps.
 - D) unity of direction.
 - E) unity of command.
37. When the CEO reviews the performance of her company in the past month's Profit & Loss Statement to determine if the company is "on track" in terms of its sales and profitability goals, this CEO is engaged in which function?
- A) Planning
 - B) Organizing
 - C) Demonstrating
 - D) Controlling
 - E) Leading
38. Who developed the 14 principles of management as mentioned in class?
- A) Elton Mayo
 - B) Max Weber
 - C) Abraham Maslow
 - D) Henri Fayol
 - E) Frank Gilbreth
39. In terms of revenue, what is the largest federal crown corporation in Canada presently?
- A) Export Development Canada
 - B) CMHC
 - C) Sun Life Assurance
 - D) Canada Post
 - E) Via Rail
40. Plans setting short-term targets for daily, weekly, or monthly performance are known as:
- A) tactical plans
 - B) operational plans
 - C) functional strategies
 - D) strategic plans
 - E) none of the above

PART II – Problems (20 marks)

1.) You are given the following information:

SP	Selling price per unit	\$132.00
FC	Monthly Rent	\$1500 x 12 = 18000
VC	Raw Materials per unit	\$34.00
VC	Wages to produce each unit	\$18.00
FC	Monthly Salaries	\$9000 x 12 = 108000
VC	Production costs per unit	\$14.00
FC	Annual Insurance Cost	\$1500
FC	Monthly Telephone Cost (100% fixed)	\$400 x 12 = 4800

FC = 132300
 VC = 66
 SP = 132

a.) What is the company's Breakeven Point in Sales dollars? (6 marks)

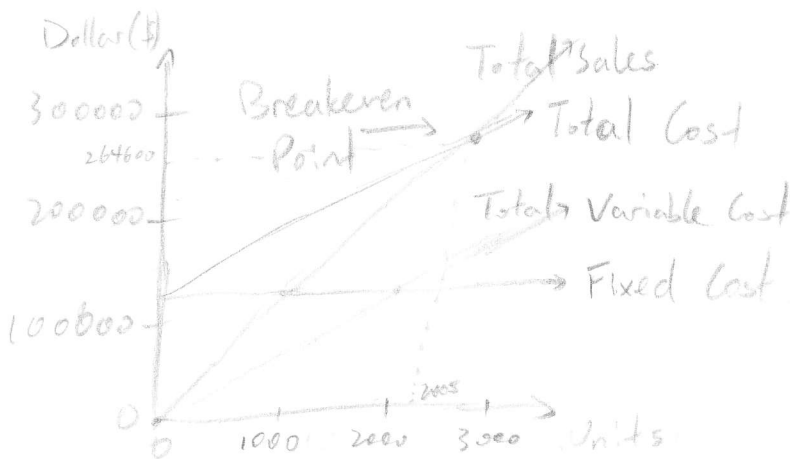
$$BEP = \frac{FC}{1 - \frac{VC}{SP}}$$

$$= \frac{132300}{1 - \frac{66}{132}}$$

= \$264600

∴ the Breakeven Point in Sales dollars is \$264600

b.) Draw the Breakeven Point using the data above, labeling each axis, each curve and the actual breakeven point. (3 marks)



c.) What is the company's Breakeven Point in units? (2 marks)

$$BEP \text{ in units} = \frac{TS}{SP}$$

$$= \frac{264600}{132}$$

$$= 2004.55$$

∴ the Breakeven point is 2005 units

... since they feel that they are responsible for

- 2.) The ABC Corporation was investigating the possibility of adding a new product line to its product mix. One of the factors in the decision-making process involved the calculation of how many units of the new product would have to be sold in order for the company to breakeven. Of course, breaking even was not the goal of the company; the goal was to earn an additional \$500,000 of profit.

The following information is given to you:

The selling price of each unit produced was determined to be \$150. The costs of producing each unit was \$22.00 for labour, \$27.00 for raw materials, and \$3.25 per unit for overhead (electricity, etc.) Salaries for the year were determined to be \$350,000, while annual rent was determined to be \$480,000. General and administrative costs were \$5000.00 per month.

SP = \$150
 VC = 52.25
 FC = 890000

- a.) How many units of this new product must be sold to breakeven? (4 marks)

$$BEP = \frac{FC}{1 - \frac{VC}{SP}}$$

$$= \frac{890000}{1 - \frac{52.25}{150}}$$

$$= 1365728.9$$

$$\# \text{ of unit} = \frac{BEP}{SP}$$

$$= \frac{1365728.9}{150}$$

$$= 9105$$

∴ the numbers of units that must be sold is 9105

~~DO NOT ROUND~~



- b.) How many units have to be sold to yield profits of \$500,000? (5 marks)

$$\text{Profit} = (SP - VC) \times \text{units}$$

$$500000 = 97.75 \times \text{units}$$

$$\text{units} = 5115$$

~~DO NOT ROUND~~

∴ the amount of units needed to make \$500,000 in profit is 5115.



PART III – Essay Questions (60 marks)

Instructions:

Candidates must answer all questions in the space provided. If necessary, please write on the back of the sheet to complete your answer.

1. Identify and describe 3 advantages and 3 disadvantages to the sole proprietorship and corporate forms of business ownership. (6 marks)

Sole proprietorship

Advantage

- Sole proprietorship is easy to form, not much work is needed to establish the business
- All profits (losses) goes to the owner, so you don't have to share the money you made from the business to anyone else
- Self-satisfaction, you will feel good about achieving the goal of making money or other objective and feel good about your self for accomplishing something.

Disadvantage

- Unlimited liability, any losses that the company makes is out of the owner's pocket and there is no limit to how much money you would have to pay for losses (pay back loan, being sued, etc.)
- Hard to raise capital, not many investors or lender would want to give you money to make the business because the risk of not succeeding is high for sole proprietorship.
- Lack of continuity; if the owner dies, then the business dies with him.

... since they feel that they are responsible for it.

6

Corporation

Advantages

- Easy to raise capital, corporation can raise money ^{by} receiving more from investors (shareholders) and lenders (banks, etc). The risk of a corporation not succeeding is lower so people invest or loan money to it. _{at more willing}
- Limited Liability, the investors are only liable for what they put into the company and nothing more.
- Continuity, the corporation will continue forever even if one owner dies.

Disadvantage.

- Cost at Startup, it cost more to start up a corporation than sole proprietorship. (legal fees, etc)
- More Government Regulation, corporations have to follow more rules and regulations set by the government ^{than} sole proprietor or partnership.
- Double Taxation, corporate has to pay revenue tax ^{for every dollar the corporation makes} and the shareholders have to pay income tax when they receive dividends or sale of shares.

2.) Clearly define each of the following terms:

(15 marks)

1) **Proxy:** A substitute for a product or service or a similar product or service.

2) **Dividend:** money received by shareholders if the Board of Director ^{in that corporation} declares. Preferred Shareholder receive dividend for each year and common share holders only receives if it the Board of Directors declares. Accumulates for preferred shareholder.

3) **Utilitarian approach:** An ethical responsibility model and it focuses on the consequences of the action. The greatest good for the greatest amount of people

4) **Limited liability:** The people who has limited liability means they are liable for the money they invested into a company, and other investors or lenders can't ask them for any additional money. The people can be shareholders or a limited partner in a partnership.

5) **Circulation of Assets Process:** This occurs with corporation where the corporation hires workers to make products and they pay them wages. The workers in turn buy those products with the money they receive back into the corporation and the cycle keeps going. It brings the economy

6) **Pre-Emptive Right:** A right of the shareholders. They have the right to maintain the percentage of ownership of the corporation if additional shares are issued by that corporation.

7) **Consumerism:** The activism that protect the rights of the consumers. It's important to corporations because the consumers are the ones they are making money off of. There are six consumer rights.

8) **Letters Patent:** A corporation patents its product or service so other competitors can't sell the same product or service. It's done through the government.

9) **Double Taxation:** A disadvantage of corporation where the corporation has to pay tax for its revenue and then the shareholders will have to pay more income tax, so this process includes two tax payments.

10) **Empowerment:** ^{on the dividends} Giving authority to an employee or a group over some activities so they will be responsible for that activity. It improves performance since they feel that they are responsible for

3.) What are the three (3) conditions under which decisions are made? Outline the characteristics of each condition. (3 marks)

~~Uncertainty~~ No fact is known about the situation. There is no probability on the alternatives, ^{Very rare.} and outcomes.

~~Risk~~ Some facts are known about the situation. There is some probability to which alternatives, ^{and outcomes} can occur. This is the most often condition managers are under.

~~Certain~~ All facts are known about the situation. Managers know for sure what the alternatives and outcomes are. ^{Very rare}

4.) Equity financing is comprised mainly of two different classifications of stocks. What are these two different stock classifications and what are the principal characteristics of each? (6 marks)

~~Common Stock~~

- has the right to vote
- receive dividend only if the Board of Directors declares
- has the right to have a share of the asset on a pro rata basis and after preferred share.
- bought not for dividend but for a raise in stock value from the improvement in performance at that corporation
- Usually there are more common shares issued than preferred.

~~Preferred~~

- has the right to vote only if it hasn't received dividends for several years
- should receive dividend every year dividend accumulates.
- receive money leftover from liquidating after lenders, suppliers, government, etc, but before common share holders
- bought for ~~the~~ safety. Not as risky as common. Investor makes money from dividends typically
- usually more expensive than common shares

5.) what are the four types of commercial corporations allowed for by Canadian law? Outline and define each type of commercial corporation, citing at least three (3) principal characteristics of each. (6 marks)

Private - maximum of 50 shareholders
 - shareholder can't sell share unless the board of directors approve
 - the general public can't buy shares or bonds from private corporation

Public - can have more than 50 shareholders, typical in the thousands
 - sell share and bond in the financial market
 - shareholders can sell shares whenever they want

Crown - Government owned and operated corporations
 - It's for the citizens
 - Crown corporations supplies products and services, while others will not

Mixed - Jointly owned by the government and the general public
 - usually in the exploration and natural gas sector
 - sells shares just like a public corporation

6. What are the characteristics (philosophy) of Scientific Management? Who was responsible for introducing and then developing Scientific Management? What are the benefits and drawbacks to this approach of management? In other words, discuss in detail Scientific Management. (5 marks)

Adam Smith (1776) - The Wealth of Nations
 - He introduced some ideas that influenced scientific approach.

F.W. Taylor

- developed the three S's, Simplify, Specialize, Standardize
- money is the incentive for people to work.
- developed Piece-rate system where employees are paid according to how much they produce.
- Production improved, more efficient
- But money can only motivate people for so far
- not considering the influence of group norms, society, pressures, etc.