

**ADM1301A**

**Fall 2011**

**Quiz 1 - GRADING GUIDE**

**INSTRUCTIONS:**

1. This quiz counts for 15% of the course final grade.
2. There are 3 parts. You **must complete all questions** in Part 1 and Part 3. You have choices in Part 2.
3. Answer **directly on this questionnaire in the space provided. Remember back-to-back printing.**
4. Time Limit: 1 hour 20 minutes
5. You must sign the Statement of Academic Integrity below
6. It is recommended that you read through the entire quiz completely before beginning to answer.
7. Be mindful of the time and allocate it appropriately. You may leave before the allotted time if you feel you have completed this quiz.
8. Write legibly in ink. Poor writing may result in all or part of your quiz not being corrected.
9. Write your name and student number on every sheet (in case your report becomes unstapled during handling/marking). One point will be deducted for failure to do so.

**For markers only**

Your gross score: **100** / 100

Quiz 1 weight : x 15%

Your mark toward the final grade: **15**

**MUST BE CLEARLY INDICATED. MUST BE LEGIBLE.**

\_\_\_\_\_  
Student Name

\_\_\_\_\_  
Student Number



To underline the importance of **academic integrity**, all submissions in partial fulfillment of the requirements of a course at the Telfer School of Management must include the following signed statement:

***Statement of Academic Integrity***

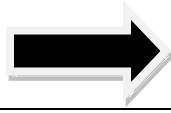
**This work conforms to the rules on academic integrity of the University of Ottawa.**

Signature: \_\_\_\_\_ **SIGNATURE** \_\_\_\_\_ Print Name: \_\_\_\_\_ **NAME** \_\_\_\_\_

**A submission without a signed statement will not be corrected and will receive an automatic grade of zero.**

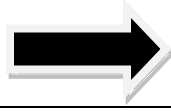
**PART 1 - True or false statements. Multiple choice questions. Complete the sentences. Write your answers clearly on this questionnaire. 40 points in total; 2 points for each correct answer. A bonus question at the end.**

1. Adam Smith argued for a system of capitalism that is based on the “invisible hand” operating in the market. That system would also see an enhanced role for government.
  - a. True \_\_\_\_\_
  - b. **False** \_\_\_\_\_
  
2. The freedom of association doctrine implies that incorporation should occur without government intervention.
  - a. True \_\_\_\_\_
  - b. **False** \_\_\_\_\_
  
3. The board of directors is responsible to the CEO of the corporation.
  - a. True \_\_\_\_\_
  - b. **False** \_\_\_\_\_
  
4. Jane is starting a business to sell handmade greeting cards online. She is planning to assume all the risks and accept all the rewards of business ownership. Jane is forming a(n) **PROPRIETORSHIP** .
  - a. Partnership
  - b. **Proprietorship**
  - c. Corporation
  - d. Incorporation
  - e. Virtual entrepreneurship
  - f. None of the above answers
  
5. Which of the following statements regarding competition, as a fundamental element of capitalism, is not true? [Circle the answer]
  - a. Competition is responsible for the orderly operation of the market.
  - b. The fittest firms tend to survive.
  - c. Competition ensures that that goods and services are provided at the lowest price.
  - d. Competition holds profits to a minimum
  - e. **Capitalism guarantees a profit is made.**
  
6. On a recent visit to the grocery store Robert discovered that his favourite brand of canned salmon was no longer being carried. The store manager told him that customers were not buying the product in sufficient quantities to continue to stock it. This is an example of **CONSUMER SOVEREIGNTY** , which is a fundamental part of capitalism.
  - a. **Consumer sovereignty**
  - b. Competition
  - c. Constructive elimination
  - d. Right to private property
  - e. Economic freedom of choice



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7. Non-Governmental Organizations (NGOs) are made up of all those organizations, such as charities and social clubs, run by the volunteer sector.
- True \_\_\_\_\_
  - False \_\_\_\_\_
8. It is the responsibility of the board of directors, not the manager, to determine how to respond to stakeholders' power and pressures.
- True \_\_\_\_\_
  - False \_\_\_\_\_
9. ABC Corporation is negotiating with aboriginal groups regarding forestry practices in their region and the government is facilitating the process. Influence and power, in this case, is not held by any one institution and is dispersed. This example reflects the operation of a **PLURALISTIC** society.
- Stakeholder
  - Pluralistic
  - Business partnership
  - Solidarity
  - Collective
10. Janet is on the board of directors for SPT Corporation. Which of the following assumptions about Janet's involvement with SPT Corporation is not correct?
- Janet was elected by the shareholders to this role.
  - Janet is not a shareholder of SPT Corporation
  - Janet has ultimate responsibility for the functioning of SPT Corporation
  - Janet is a competitor of SPT Corporation
  - Janet's position on the Board is not permanent.
11. Using Nutt and Backoff's model, Nancy identifies that a particular NGO is a problematic stakeholder. This implies that the NGO will oppose the course of action proposed by Nancy's company and should therefore be considered a very important stakeholder.
- True \_\_\_\_\_
  - False \_\_\_\_\_
12. In Mitchell, Agle and Wood's theory of stakeholder identification and salience, latent stakeholders are those with one attribute and low salience whereas expectant stakeholders possess three attributes and are definitely more salient.
- True \_\_\_\_\_
  - False \_\_\_\_\_
13. Social capital is created when the relationship between stakeholders and an organization produces increased understanding, cooperation, and coordination.
- True \_\_\_\_\_
  - False \_\_\_\_\_

14. The support/opposition/importance matrix is a method used to categorize stakeholders. Stakeholders who would oppose an organization's course of action and are relatively unimportant to the organization would be placed in the **problematic stakeholder** category.
- Antagonistic stakeholder
  - Low priority stakeholder
  - Supporter stakeholder
  - Problematic stakeholder**
  - Hostile stakeholder
  - None of the above
15. The NoJoke Telecommunication Corporation announced that it has no plans to change its policy regarding the download of erotic material to cellular phones. Parents, especially those with teenagers, are opposed to this policy. This group is considered, by the company, to be very important stakeholders. They are also likely to form coalitions to gain further power. Parents are **ANTAGONISTIC** stakeholders and a(n) **DEFENSIVE** strategy is appropriate.
- Antagonistic, avoidance
  - Problematic, defensive
  - Antagonistic, defensive**
  - Problematic, avoidance
  - None of the proposed answers.
16. Credit Union Central of New Brunswick provides financial services to its customers, who are owner-members. This credit union is a cooperative form of ownership.
- True** \_\_\_\_\_
  - False \_\_\_\_\_
17. Generally accepted corporate governance principles recognize that shareholders have the right to remove members of the corporate board of directors.
- True** \_\_\_\_\_
  - False \_\_\_\_\_
18. The Canadian Medical Association (CMA) recently asked a foreign-based website that allows patients to post anonymous comments about physicians to remove the ones they believe are defamatory. In this particular case, the CMA is an example of which type of institution?
- Public interest
  - Issue specific pressure group
  - Special interest group**
  - Policy think tank
  - Professional association
19. Senior management in a publicly traded corporation is ultimately responsible for corporate governance.
- True \_\_\_\_\_
  - False** \_\_\_\_\_



20. The Executive Branch of the Canadian federal government includes the House of Commons and the Senate
- True \_\_\_\_\_
  - False \_\_\_\_\_
21. **Bonus for 2 points** – GDP is a widely used economic measure. What does GDP stand for? [Circle the answer]
- Global Development Propensity
  - Glossy Development Product
  - Gross Domestic Productivity
  - Grand Development Project
  - None of the above answers.

**Part 2 – Development questions and analysis. Short answers. 45 points in total for this Part.**

**You select 3 questions to answer among Questions 1 to 5 that follow. Respond to the 3 questions you select (including the sub-questions) in the space provided below. 15 points for each question.**

1. a) Identify at least 4 broad forms of business ownership prevalent in Canada  
(1) SOLE PROPRIETORSHIP, (2) PARTNERSHIP (general and limited), (3) CORPORATION  
(under federal or provincial laws – private or public), (4) COOPERATIVE, (5) FRANCHISE.

4 out of the 5 underlined words are the only ones acceptable.

The terms in parentheses are qualifiers or possible variations of the major form of business ownership. For instance, if someone wrote general partnership and limited partnership, then only partnership counts once.

Grading:

- 5 points for 4 correct answers. 3 points for only 3 forms identified; 2 points for 2 forms identified; 1 point for 1 form identified; 0 point otherwise.

- b) Describe in a few words the main characteristics of each form you identified in 1. a)  
Sole proprietorship: a form of business organization available to any individual who is legally able to enter into a binding contract. Falls under provincial and municipal law. Filing a name declaration is not required if the business is operated under a person's name. Owned and operated by one person.

Partnership: an *arrangement whereby two or more persons combine some or all their resources in a business undertaking with a view to sharing profits among partners. Provincial laws require that a partnership must legally register its name and give information about the partners. General and limited partnership arrangements are possible.* In a general partnership, each member can bind the partnership without the consent of the other partners. In a limited partnership, a partner's liability is generally limited to the amount of cash contributed by that partner to the partnership.

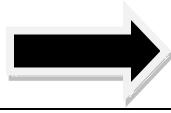
Corporation: recognised as a *separate legal entity under the law. A corporation can be incorporated under federal or provincial law. Private and public corporations are possible.* In a private corporation, the right to transfer shares and the number of shareholders are restricted. Also, a private corporation cannot sell shares or debentures to the public. In a public corporation, those restrictions are not present, but strict regulations regarding financial reports, audits and public disclosure exist.

Co-operative: an *organization that emphasises working together as a way of building community involvement by supplying needed goods and services at a lower cost to the co-op members.*

Franchise: a *business established or operated (locally) to sell or distribute a company's goods and services in a particular area.*

Grading:

- Accept only the forms already identified in 1a)
- Each form defined in an answer must convey at least the general sense of the words in *blue italic with dotted underlining.*
- 10 points for 4 good definitions; 7 points for 3 correct definitions; 5 points for 2 correct definitions; 2 points for 1 correct definition; 0 point otherwise.



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2. In class, a triangular depiction of the Canadian socio-economy was presented.  
a) Identify each component of the triangle

(1) BUSINESS, (2) GOVERNMENT, (3) CIVIL SOCIETY

Grading:

- 6 points in total. 2 points for each correct term. No substitute word accepted.

- b) Explain the rules or “sorting” mechanisms of coordination for each component you identified in 2 a).

**BUSINESS:** largely the private economic sphere, willing exchange/transaction between producers and consumers, supply and demand forces are at play. The profit motive drives business.

**GOVERNMENT:** interactions between citizens, stakeholders, politicians and public institutions take place in the public sphere. The exchange focus is on public goods, serving the public interest or the general welfare. Ultimately, government can resort to coercion and redistribution to satisfy its goals. Exercising power is the driving force for public decision-makers.

**CIVIL SOCIETY:** co-operation, reciprocity and solidarity (or equivalent words) are the driving forces behind the voluntary, civic and social actors, organizations and institutions making up that segment. Shared values, a sense of and focus on the community are the glue that helps unite diverse interests.

Grading:

- 9 points in total. 3 points for each explanation that is consistent with the above and that contains at least the underlined words or similar words and concepts. Scale down from 2 to 0 for partial, incomplete answers.

3. Canada is a constitutional monarchy, a federation and a parliamentary democracy. Explain briefly the meaning of each term.

**Monarchy:** a monarch, king/queen, a sovereign as head of state. (Queen Elizabeth II is Canada’s monarch currently – British heritage)

**Constitution:** a written document, the constitution, is the supreme law of the country. It establishes and defines the political system and its governance mechanisms. It delineates the role, responsibilities and functions of the legislature, government and other public institutions.

**Federation:** a political system that recognises at least two orders of government. (In Canada's case, the federation is made up of a federal government, 10 provinces and 3 territories.)

**Democracy:** In other words, "government by and for the people". Democracy is a political system in a country in which the source of political power rests with citizens (electors). Political power is granted by citizens (voters) to representatives (politicians, elected officials) in a legislature through an electoral system.

**Parliament:** Legislative house or Legislative Branch of government. This is where laws are approved. (In Canada, Parliament is made up of two houses: the House of Commons where members are elected and the Senate where members are appointed by the Prime Minister.)

**Grading:**

- 15 points in total. 3 points for each correct answer. Scale down from 2 to 0 for partial answer.

4. a) What is the difference between a private and a public corporation?

**A Private Corporation:**

- The right to transfer shares is restricted
- Number of shareholders limited to 50
- May not sell shares or debentures (bonds or debt instruments) to the public

**A Public Corporation:**

- Sells shares to the public on a stock exchange
- Is subject to stricter regulations for filing financial reports, must follow certain audit procedures
- Must file a prospectus if shares are being sold to the investing public

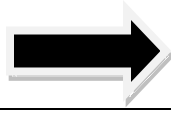
**Grading:**

- 6 points in total. 1 point for each dotted element above. Giving a general sense with different words is acceptable.

b) What is the distinction between a limited and a general partnership?

**General Partnership**

- Partners are not only liable in equal share for the debts of the partnership (jointly liable) but in addition, each partner is liable for the full amount (jointly and severally liable)
- Each member can bind the partnership without consent of the other partners



### Limited Partnership

- Composed of one or more general partners who conduct the business, and one or more persons who contribute an amount in actual cash (special or limited partners)
- The special partner's liability is normally limited only to the amount of the cash s/he contributed to the partnership

#### Grading:

- 6 points in total: 3 points for the elements or equivalent sense under General partnership; 3 points for the elements or equivalent sense under Limited partnership. Scale down from 2 to 0 for partial answer.

c) What form of ownership dominates the Canadian economy in terms of value added to the GDP?

### CORPORATIONS

Grading: 3 points for a correct answer. 0 otherwise.

5. Identify the 3 branches of the federal government in Canada and each of their components.

LEGISLATIVE BRANCH: HOUSE OF COMMONS AND SENATE

EXECUTIVE RANCH: PRIME MINISTER, CABINET AND PUBLIC SERVICE

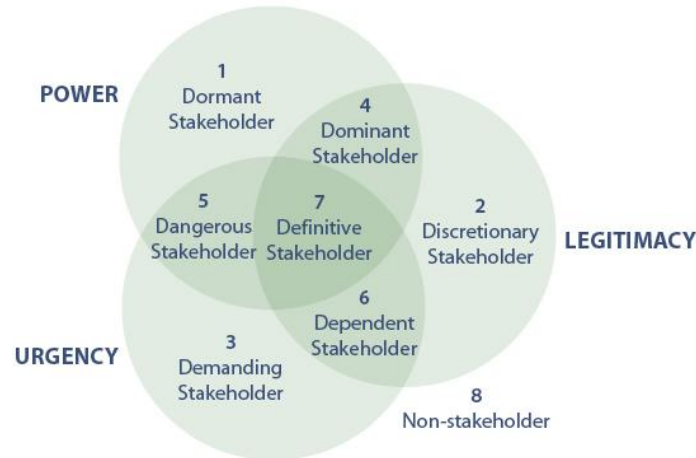
JUDICIAL BRANCH: THE JUDICIARY OR THE JUDGES AND THE COURT SYSTEM

Grading: 15 points in total. 3 points for identifying correctly a Branch. 1 point for each correct element within a Branch.

**Part 3 – Answer this three-part question in the space provided. Be brief and precise. 15 points.**

1. Refer to Mitchell, Agle and Wood’s stakeholder identification and salience model reproduced below:

**Figure 4.4** STAKEHOLDER TYPOLOGY: ONE, TWO, OR THREE ATTRIBUTES PRESENT



Source: Ronald K. Mitchell, Bradley R. Agle, and Donna J. Wood, “Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts,” *Academy of Management Review*, Vol. 22, No. 4 (1997): 874. This work is protected by copyright and it is being used with the permission of Access Copyright. Any alteration of its content or further copying in any form whatsoever is strictly prohibited.

- a) Describe what is meant by the attributes of “power”, legitimacy” and “urgency”.

**Legitimacy** is the perceived validity of the stakeholder’s claim to a stake.

**Power** is the ability of a stakeholder to produce an effect.

**Urgency** is the degree a stakeholder’s claim demands immediate attention.

Grading: 5 points in total. 5 points for proper definition of all 3 terms; 3 points for 2 proper definitions; 1 point for a single definition. Accept the above words or equivalent words as long as the concept is conveyed adequately.

- b) According to this model, any party possessing at least one of the attributes in part a) above is a stakeholder. A stakeholder possessing only one attribute is referred to as a **LATENT** stakeholder; a stakeholder possessing two attributes is referred to as a **EXPECTANT** stakeholder; a stakeholder possessing all three attributes is referred to as a **DEFINITIVE** stakeholder.

Grading: 5 points for 3 correct terms; 3 points for 2 correct terms; 1 point for 1 correct term. Otherwise 0. Exact terms accepted only, no substitute.



Student Number

Student Name

INDICATED, IF NOT DEDUCT 1 POINT

- 
- c) Using Ford Motors Corporation as an example, identify three stakeholders you would expect to find with all three attributes and indicate how you support your position.

Looking for any three stakeholders (examples: unionised employees, investors, creditors, government environmental agencies, customers, etc. – there may be others) who are legitimately positioned as being legitimate, powerful and having a claim that would demand immediate action.

Grading: 5 points in total. Listing without an explanation is worth only two mark of a possible five – three additional marks are awarded for the substantiation of why/how each proposed stakeholder meets the three criteria. Reasoned and reasonable argumentation is required. You are the judge of whether the answer makes reasonable sense.