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Multiple Choice and True / False Questions are worth **1** point each. **Circle** the correct answer.

1) All of the following are factors of production except:

- A)capital
- B)labour
- C)natural resources
- D)technology
- E)entrepreneurs

2) E-mail has virtually become the standard method of communication in the business world. One of the key problems and pitfalls of e-mail is:

- A)privacy
- B)its limited capabilities
- C)its speed
- D)its costs
- E)its ease of use

3) A major disadvantage of the sole proprietorship is the:

- A)lack of freedom in making business decisions
- B)high start-up costs
- C)difficulty in beginning business activities
- D)unlimited liability
- E)ability to grow by adding talent

4) The program for the same wages to be paid for jobs that have similar value to a firm regardless of the typical gender of the job holder is:

- A)affirmative action
- B)reverse discrimination
- C)equal employment opportunity
- D)equal pay
- E)comparable worth

5) A certification vote is:

- A)a vote supervised by a government official to determine if employees wish to terminate their union's rights.
- B)a vote supervised by a government representative to determine whether a union will be certified.
- C)a process by which union officials take their votes to the labour board to apply for certification.
- D)the process by which employees continue their union's right to represent them.
- E)a vote to certify those on the union bargaining team.

6) The productivity of a business is important to:

- A)managers
- B)employees
- C)unions
- D)investors
- E)all of the above

7) According to one expert, " \_\_\_\_\_ are an economic asset. They're not on the balance sheet, but they should be."

- A)Quality circles
- B)Customers
- C)Quality employees
- D)Quality benchmarks
- E)Quality improvement teams

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8) Which of the following terms is used to identify products that are used by companies to produce other products?

- A) service marketing
- B) target markets
- C) consumer goods
- D) industrial goods
- E) disaggregate products

9) To help you decide which new suit to purchase for your job interview, you ask a trusted friend to give you her opinion on each of the suits you're looking at. You are in the \_\_\_\_\_ stage.

- A) problem recognition
- B) evaluation of alternatives
- C) information seeking
- D) post-purchase evaluation
- E) purchase decision

10) Why is a business firm interested in the development of new products?

- A) new products provide the fun that marketing managers need
- B) product development provides an opportunity for large tax write-offs
- C) new products keep the warranty and service departments busy
- D) the federal government requires every product manufacturer to spend 1% of revenue on new product development
- E) new products are necessary to stay in business

11) \_\_\_\_\_ indicate(s) that the buyer is interested and pinpoint(s) the parts of the presentation that trouble the buyer.

- A) Qualifying
- B) Approaching
- C) Demonstrations
- D) Objections
- E) Closing

12) Costs that change with the quantity of a product that is produced or sold are:

- A) product costs
- B) selling costs
- C) ongoing costs
- D) variable costs
- E) fixed costs

13) The key determination for selecting the appropriate transportation method is cost.

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14) The \_\_\_\_\_ was originally commissioned by the U.S. military.

- A) Federal Communications Commission
- B) National Public Radio
- C) Internet
- D) World Wide Web
- E) Fox News Channel

15) At which level of management would transaction processing systems most likely be essential?

- A) first-level managers
- B) middle-level managers
- C) top-level managers
- D) knowledge workers
- E) second-level managers

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16) What is the name of the software programs that tell the computer which resources to use and how to use them?

- A)artificial intelligence
- B)system programs
- C)application programs
- D)arithmetic logic unit
- E)resource differentiation unit

17) The software programs which actually process data according to the needs of the user are known as:

- A)Lotus 1-2-3
- B)application programs
- C)artificial intelligence
- D)word processing
- E)computer analysis

18) Which of the following is the best choice to keep track of inventory in a grocery store?

- A)Internet
- B)database management
- C)word processing
- D)graphics
- E)spreadsheets

19) \_\_\_\_\_ refers to the location of the various parts of the computer system.

- A)System location
- B)System layout
- C)Systems architecture
- D)System network
- E)Operating system

20) Information and data are terms that have the same meaning.

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21) The rapid growth of information technologies has caused widespread growth in middle management positions and only minor shrinkage in layers of organizational structure.

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22) The main memory is the part of a computer's CPU that stores those programs that it needs to operate.

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23) A(n) \_\_\_\_\_ is a tool that searches for Web pages that contain a given word or phrase.

- A)index
- B)directory
- C)extranet
- D)search engine
- E)firewall

24) At one time, information systems were narrow in scope and technically focused. Today, information systems have moved to:

- A)middle-management problems
- B)higher-level management questions
- C)higher-level management problems
- D)organization-wide planning and implementation
- E)lower-level management problems

25) Computer analysis and graphics programs that are used to create new products are known as:

- A) computer-aided design
- B) computer operations control
- C) decision support systems
- D) computer-aided manufacturing
- E) transaction processing systems

26) David is preparing a statement of estimated profits and losses for a new product that has just been introduced by his company. The field of accounting that David is working in is:

- A) public accounting
- B) bookkeeping
- C) auditing
- D) managerial accounting
- E) financial accounting

27) Which of the following ensures that the accounting equation is always kept in balance?

- A) double-entry accounting
- B) balance sheet
- C) credits
- D) T-accounts
- E) debits

28) Which of the following calculates the debt-to-owners' equity ratio?

- A) current liabilities divided by owners' equity
- B) long-term liabilities divided by retained earnings
- C) long-term liabilities divided by owners' equity
- D) total liabilities divided by owners' equity
- E) total liabilities divided by retained earnings

29) Financial accounting is primarily for people outside the firm while managerial accounting is primarily for people inside the firm.

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30) Depreciation is used to recognize the cost of an asset in the year in which it is purchased.

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31) The income statement explains a firm's yearly cash receipts and cash payments.

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32) LJD is a CA firm. What three services will it likely provide?

- A) audit services, ratio analysis, and tax collection
- B) tax services, budget preparation, and ratio analysis
- C) owners' equity analysis, journal and ledger preparation, and tax collection
- D) tax services, audit services, and management services
- E) ratio analysis, journal preparation, and ledger preparation

33) An asset is:

- A) the amount of money originally invested in a business by its owners.
- B) a debt owed by a firm to an outside organization or individual.
- C) the profits earned by and reinvested in the company.
- D) the amount of money that owners would receive if they sold all of a firm's assets and paid all of its liabilities.
- E) any economic resource expected to benefit a firm or an individual who owns it.

34) Owners' Equity is:

- A) any economic resource expected to benefit a firm or an individual who owns it.
- B) the amount of money originally invested in a business by its owners.
- C) a debt owed by a firm to an outside organization or individual.
- D) the profits earned by and reinvested in the company.
- E) the amount of money that owners would receive if they sold all of a firm's assets and paid all of its liabilities.

35) Balance sheets are also called:

- A) statement of cash flow
- B) statements of financial position
- C) profit and loss statements
- D) bookkeeping statements
- E) inventory on hand records

36) Which of the following accurately calculates the cost of goods sold during the period?

- A) purchases minus beginning inventory plus ending inventory
- B) beginning inventory plus purchases minus ending inventory
- C) ending inventory minus beginning inventory plus purchases
- D) (ending inventory plus beginning inventory) divided by two
- E) beginning inventory plus ending inventory minus purchases

37) What is the purpose of computing the current ratio?

- A) to provide investors with some measurement of the returns they can expect from their investment
- B) to measure the firm's ability to meet its current obligations out of its current assets
- C) to measure how much cash the firm has
- D) to measure the firm's ability to meet emergency demands for cash
- E) to measure the extent to which a firm is financed through borrowed money

38) The characteristics of money are:

- A) durable, divisible, stable, and portable
- B) portable, divisible, durable, and interchangeable
- C) divisible, interchangeable, portable, and exchangeable
- D) interchangeable, divisible, paper, and banks
- E) durable, paper, coin, and stable

39) Which of the following is contained in the M-1 measurement of the money supply?

- A) savings deposits
- B) money-market mutual funds
- C) credit cards
- D) time deposits
- E) chequing accounts

40) All products can be valued and measured in terms of dollars. This illustrates the \_\_\_\_\_ function of money.

- A) basis for banking system
- B) payment for labour
- C) medium of exchange
- D) store of value
- E) unit of account

41) Since 1991, Canadian chartered banks have had to maintain a reserve requirement with the Bank of Canada.

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42) A deposit that requires prior notice to make a withdrawal is called a:

- A) savings deposit
- B) demand deposit
- C) preferred deposit
- D) time deposit
- E) chequing deposit

43) What term identifies a bank's promise to pay a foreign business firm (e.g. German firm) a certain amount if the specified conditions are met?

- A) deposit
- B) electronic funds transfer
- C) letter of credit
- D) promissory note
- E) bank loan

44) Which of the following might the Bank of Canada do to increase the money supply?

- A) Increase the reserve rate
- B) Sell government securities
- C) Increase the bank rate
- D) Buy government securities
- E) Impose a new tax

45) Which of the following would not be expected when a country's currency becomes overvalued?

- A) its exchange rate is higher than warranted by its economic conditions
- B) its export goods become too expensive
- C) the costs of exported goods decline
- D) its high costs make the country less competitive
- E) fewer goods are purchased by other countries

46) The 1980 Bank Act places which one of the following restrictions on Schedule B Banks?

- A) Foreign-controlled banks are not permitted to operate in Canada
- B) Foreign-controlled banks may not provide insurance services
- C) Foreign ownership may not exceed 10% of voting shares
- D) Foreign-controlled Schedule B Banks cannot hold more than 8% of total domestic assets of all banks in Canada
- E) Foreign-controlled banks may not provide financing to small businesses

47) Money as a store of value refers to the acceptance of money as a relative value of goods.

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48) M-1 includes M-2 plus currency, demand deposits, and other chequable deposits.

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49) Credit cards qualify as a form of money.

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50) When an investment bank underwrites a new security, they are:

- A) privately supporting the issuing organization
- B) buying the new security
- C) assessing the risk of that new security
- D) co-signing the bonds
- E) attesting to the good investment potential of a new security

51) If the market value of a stock falls to approximately the book value many investors will buy the stock.

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52) Which of the following represents a stock's real value?

- A) par value
- B) market value
- C) price earnings ratio
- D) book value
- E) profitability ratio

53) Which of the following is a purpose of the International Monetary Fund?

- A) encourage development of a system for international payments
- B) encourage members to cooperate on international monetary issues
- C) promote the stability of exchange rates
- D) provide temporary, short-term loans to member countries
- E) All of the above are purposes of the IMF

54) The return on equity ratio is used to measure the income earned on the money invested by the common stockholders.

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55) The book value of a company's common stock is determined by:

- A) what buyers are willing to invest in a firm
- B) dividing total shareholders' equity by the number of outstanding shares
- C) dividing net profit by the number of outstanding shares
- D) dividing total assets by the number of outstanding shares
- E) stock brokers

56) Which of the following is correct with respect to stock exchanges?

- A) anyone is allowed to trade on the exchange
- B) most are non-profit organizations
- C) the general public is allowed to participate in the actual buying and selling of stock on the exchange floor
- D) all of the people working on the trading floor are employed by the exchange
- E) memberships on a stock exchange cannot be bought or sold

57) The world's first electronic stock market is known as the:

- A) IMF
- B) NYSE
- C) TSE
- D) NASDAQ
- E) AMEX

58) Issuers of bonds are most likely to call them in when:

- A) the prevailing rate of interest exceeds that stipulated on the bonds
- B) the prevailing rate of interest is less than that stipulated on the bonds
- C) when the government revises its capital gains tax law
- D) when investor confidence goes up
- E) when investor confidence goes down

59) A(n) \_\_\_\_\_ is a company that pools investments from individuals and organizations to purchase a portfolio of stocks, bonds and short-term securities.

- A) private placement
- B) stock brokerage
- C) commodities fund
- D) investment bank
- E) mutual fund

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60) The book value of a common stock is a firm's shareholders' equity divided by the number of outstanding shares of common stock.

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61) The par value of a stock is an arbitrary accounting value that is of little interest to stock purchasers.

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62) Suppose you purchased a \$1000 par-value bond in 1997 for \$650. Its stated interest rate is 6 percent and it matures in 2007. What is your yield?

- A) 6.1 percent
- B) 8.4 percent
- C) 7.2 percent
- D) 9.2 percent
- E) 10.4 percent

63) During a bear market:

- A) stock prices as a whole are rising
- B) speculators are avoiding short selling
- C) both stock prices as a whole are falling and speculators are avoiding short selling
- D) stock prices as a whole are falling
- E) corporations are being funded through secondary market transactions

64) David is looking at a bill for supplies his company bought. It is dated May 1 and the terms are 2/10; net 30. In order to pay the least amount, when should he pay the bill?

- A) May 10
- B) May 31
- C) May 15
- D) any day in May
- E) May 21

65) Which of the following requires the borrower to put up collateral?

- A) secured loans
- B) unsecured loans
- C) line of credit
- D) trade credit
- E) commercial paper

66) What is the difference between factoring accounts receivable and using accounts receivable as collateral for a short-term loan?

- A) there is no difference
- B) factoring involves agreeing to repurchase accounts receivable at a future date instead of using them as collateral to obtain a loan
- C) factoring accounts receivable is accomplished through a finance company whereas using them as collateral is arranged with a bank
- D) factoring involves selling the accounts receivable instead of using them to obtain a loan
- E) factoring is the collateral used when issuing commercial paper

67) Which of the following would require General Motors to publicly disclose the purpose for which funds are being sought?

- A) sale of preferred stock
- B) sale of bonds
- C) long-term loan
- D) sale of common stock
- E) short-term loan

68) Which of the following is the riskiest mix of long-term funding?

- A) 25% debt, 75% equity
- B) 75% debt, 25% equity
- C) 50% debt, 50% equity
- D) 100% debt
- E) 100% equity

69) The principle that safer investments tend to offer lower returns while riskier investments tend to offer higher returns is called the:

- A) risky principle
- B) safety factor
- C) cash flow trade-off
- D) cash flow decision
- E) risk-return relationship

70) One of the four characteristics of an insurable risk is \_\_\_\_\_. This means that the potential losses must be random and must occur independently of other losses.

- A) casualty
- B) predictability
- C) profitability
- D) unconnectedness
- E) verifiability

71) Brenda is a top-level manager at Bricks 'n Bricks. To protect themselves against the loss of her talents and skills, the company should purchase:

- A) credit insurance
- B) business interruption insurance
- C) liability insurance
- D) workers' compensation coverage
- E) key person insurance

72) Junk bonds are bonds that pay very unattractive interest rates to holders.

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73) In liquidation, shareholders must wait until creditors are paid and preferred equity precedes common equity.

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74) Designing and distributing a new product is a pure risk because there is the possibility of either a gain or a loss.

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75) A company is faced with an unexpected shutdown because of a natural disaster. It would be protected from loss while it is preparing to reopen if it had purchased:

- A) damage insurance
- B) premises liability insurance
- C) credit insurance
- D) business interruption insurance
- E) automobile insurance

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**Short-Answer Questions: ANSWER ONLY IN THE SPACE PROVIDED!!!**

76) (4 points) Compare debt financing to equity financing on the issues of claims on income, claims on assets, tax effect and management flexibility.

77) (3 points) Identify three of the different types of orders that you can place when you decide to buy or sell a security and briefly explain each one.

78) (2 points) Briefly explain the operation of a mutual fund. What are the advantages for a small investor?

79) (2 points) Briefly explain the law of one price.

80) (3 points) How do banks create money?

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81) (2 points) Manhattan Corporation has total assets of \$700,000, total liabilities of \$200,000, and owners' equity of \$500,000. What is Manhattan Corporation's debt ratio?

82) (2 points) Identify the one activity ratio and what it measures.

83) (3 points) What year did Tim Horton's merge with a U.S. company? Which company was it? What were the results?

84) (4 points) Who started Molson's Brewery in what year? Why was Molson's virtually forced to merge with which U.S. company in what year?

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I hope that this course was useful, and that you learned things which will make your path through life easier and more interesting.

My best wishes to all.

Jean Freed  
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