



École de gestion

TELFER
School of Management

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LEADERSHIP

ADM1300 – FALL 2008
Introduction to Business Management
MID-TERM EXAMINATION
Professor: Peter G. Koppel

INSTRUCTIONS

1. This examination consists of THREE sections: Multiple Choice, Problems, and Essay questions.
2. Answer all Multiple Choice questions using the Scantron sheet provided. Answer each Problem and Essay question in the space provided in the Examination.
3. Candidates must return the Examination question paper and Scantron sheet to the professor or one of the proctors.
4. Please write clearly and show all of your work.
5. Please take your answers to TWO decimal places at all times in the Problem section of the Exam.
6. No notes, dictionaries, or references are permitted.
7. Calculators may be used, but the memory must be erased.

Multiple Choice (40 questions)	20 marks
Problems	20 marks
Essay	60 marks
Total	100 marks

14
10
39
63

LAST NAME (print)

Ou

FIRST NAME (print)

Benson

STUDENT NUMBER

5216848

Circle Section you are registered in: Mon/Thurs

Mon/Wed

Tues/Thurs

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.

5/

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~~ Private

- Can only be limited to 50 shareholders of Directors
- can't ~~buy~~ sell shares without approval of Board
- General public cannot buy shares from private firms

Public

- Can be over 50 shareholders
- Can issue shares and bonds to financial market
- Usually over hundreds or thousands of shareholders

Crown

= owned by government (federally or provincially)

- ~~best~~ form of public ownership
- government owns and operates a business on behalf of the ^{general public.}

Mixed

= jointly owned by government and general public.

- ~~politics~~ do not perform ~~daily~~ ~~man~~ managerial task ~~decision~~
- ~~most~~ operate in exploration & natural resource sector

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)

- F.W. Taylor.

- Philosophy.

- 3 S's

- Standardize
- simply
- specialize
- used ~~money~~ money as an incentive.

- developed piece-rate system.

(incentive was if people would get ¹⁴ extra money for extra productivity.

Benefits

- people were thinking in a scientific way
- productivity did increase

Problems

- oversimplification
- failed to realize people's influence on norms, social needs, pressure, etc.

Why Crown?

- Foster's Competition
- Some believe in certain sectors of the economy are too important to be left in private firms
- Offers service which others usually don't provide.

4/

- Little more discussion needed

7. What is an organization's general environment? Identify and describe in detail three (3) uncontrollable forces that impact an organization's general environment. (6 marks)

(I P E T E S)

2.5

- Political / Legal environment
- Technological environment

X = Ethical environment
 - pressure groups, etc
 - mores, values

Y = International environment
 - foreign investment - trade
 - expansion of transnational companies
 - increase in globalization - trade

Z = Economic - interest - unemployment, dollar strength, market demand
 - education
 - change in demographic
 - increase in production
 - philosophy, attitudes, and changes.

T = Social
 - philosophies
 - education
 - changing demographic
 - increase urbanization

8.) It is felt that managers can adopt one of four (4) approaches to Corporate Social Responsibility. Outline and briefly discuss each of these four approaches. (6 marks)

3

Obstructionist response

- willingness to engage in and cover up unethical and illegal behaviour.

Defensive response

- do just enough to pass legal social, acceptable, ethical behavior
- stay with the law but makes an attempt to address S.R.

Accommodative response approach

- acknowledge social responsibility & reacts to it
- " the need to support S.R

Proactive approach.

- Take a step beyond in social responsibility.
- actively embrace the need to behave in socially responsible ways.

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

- 3
- Condition of Uncertainty
 - knowing how uncertain (doubtful) if your decision will work or not.
 - Condition of Certainty
 - knowing how certain you are with your decision
 - Condition of Risk.
 - knowing the risks and consequences your decision will make.

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)

- 6
- Common
 - vote
 - receive dividends if declared (after preferred)
 - Share assets (After preferred)
 - More Risk, but more potential to get more in return.
 - don't want to receive dividends, wants company to invest back into company.
 - Preferred
 - usually no vote.
 - receive dividends if declared (before common)
 - Share assets (before common)
 - less risk
 - want's to ~~receive~~ receive dividends, not the company investing back to the company.

6.5

2.) Clearly define each of the following terms: (15 marks)

0 1) **Proxy:** A written authorization empowering another person to vote or act for the signee at a meeting of stock holders

1.5 2) **Dividend:**

- What you get back from the company, if you are a shareholder usually ~~when the company gains profit~~ a pro-rata share in an amount to be distributed.

1.5 3) **Utilitarian approach:**

- decisions are based on producing the greatest good for the greatest ~~amount~~ of people. consequence of an action

0 4) **Limited liability:**

- ~~advantage of a corporation~~ liability of investor is limited to personal
- ~~when the corporation has limited expenses~~ ~~will not~~ investment in Corporation
- limited to the owners only, not the corporation.

0 5) **Circulation of Assets Process:**

- improved standard of living
- if company do well, gets bigger, produce more, hire more, higher wages increase demand.

0.5 6) **Pre-Emptive Right:**

- ~~a right of a shareholder~~
- ~~the right to~~
- right to have ownership percentage of a corporation

1.5 7) **Consumerism:**

- the economic and social justification of a firm's existence is to meet the needs and wants of the consumer.
as a result, org. is now incorporating ethical decision making.

0 8) **Letters Patent:**

legal paper by government to give status, right, office to a person or entity, for example a corporation.

1.5 9) **Double Taxation:**

- a disadvantage of a corporation
- when corporation has to pay both ^{corporate} income tax and taxed on personal rate on dividend or declared or profits taken out.

0 10) **Empowerment:**

- ~~part of the emerging practices approach in the evolution of management~~
- ~~abusing your right~~ 12 of authority.
What is it - giving power & authority to do something.
- to lower level employees

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:

Selling price per unit	\$132.00
Monthly Rent	\$1500
Raw Materials per unit	\$34.00
Wages to produce each unit	\$18.00
Monthly Salaries	\$9000
Production costs per unit	\$14.00
Annual Insurance Cost	\$1500
Monthly Telephone Cost (100% fixed)	\$400

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

$$\begin{aligned}
 Sp &= 132 \\
 VC &= 34 + 18 + 14 = 66 \\
 FC &= (1500 \times 12) + (9000 \times 12) + 1500 + 400 = 127,900
 \end{aligned}$$

$$B.E.P = \frac{FC}{1 - \frac{VC}{Sp}} = \frac{127,900}{1 - \frac{66}{132}} = \frac{127,900}{0.5} = \$255,800$$

∴ The Breakeven point in sale dollars is
\$255,800. X

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)

$$\begin{aligned}
 132x &= 66x + 127,900 \\
 66x &= 127,900 \\
 x &= 1937.88 \text{ units}
 \end{aligned}$$

∴ The Company's Breakeven point in unit's is
1937.88 units. X

- 9 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.

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

$$Sp = 150$$

$$VC = 22 + 27 + 3.25 = 52.25$$

$$FC = (350,000 + (5000 \times 12) + 480,000) = 890,000$$

$$150x = 52.25x + 890,000$$

$$97.75x = 890,000$$

$$x \approx 9104.86 \text{ units}$$

∴ The company must sell 9104.86 units to breakeven.

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

$$P = R - E$$

$$500,000 = 150x - (52.25x + 890,000)$$

$$500,000 = 150x - 52.25x - 890,000$$

$$1,390,000 = 97.75x$$

$$x \approx 14,219.95 \text{ units}$$

∴ 14,219.95 units must be sold to yield a profit of \$500,000.

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

advantages

– ~~Fast~~

- Easy to form/dissolve; must be legal
- license may be required; simplicity
- personal incentive/satisfaction.

disadvantage

- Unlimited liability
- lack of continuity (uncertain duration)
- managerial limitations.

– Corporation

advantages

- limited liability
- easier to obtain capital
- easier to transfer ownership.

disadvantages

- double taxation
- must publish annual report
- expensive to organize.