

BUS200 D100 – Fall 2016 – Midterm Exam – Practice Exam

Multiple Choice Questions

Be sure to choose the **BEST** answer for each question

1.	1) Profit is A) what remains after business expenses are subtracted from business revenues. B) what remains after dividends have been paid to stockholders. C) equal to total revenue minus cash expenses. D) what remains after income taxes have been paid. E) double the amount the company pays in.
2.	Elizabeth wants to set up a consulting business that specializes in mathematical problem solving. Which of the following factors of production would she require? A) Capital B) Labour C) Information resources D) Natural resources E) All of these
3.	In 2014, Netflix was told to submit information about its Canadian subscribers to the CRTC, but it refused to do so, arguing that the CRTC didn't have any jurisdiction over online media. When the CRTC simply dropped the issue, this showed that A) the CRTC does not have any power over companies that provide cable or television entertainment. B) the top management of CRTC is incompetent. C) the top management of the CRTC is not knowledgeable about companies that provide entertainment. D) the CRTC does not have right to control broadcast content that is provided over the Internet. E) it is unclear what jurisdiction the CRTC has in enforcing Canadian content rules.
4.	Why are sales taxes called regressive taxes? A) Because food and drugs are often exempt B) Because the more one makes, the lower the rate of sales tax that is applied to one's purchases C) Because poorer people pay a higher percentage of their income than richer people D) Because it applies to sales taxes E) Because they discourage the purchase of some products
5.	After checking out a new car deal at her local GM Canada dealership, Sally decided to buy one. Which of the following best describes what happened? A) Sally exercised her freedom of choice. B) General Motors exercised its freedom of choice. C) Both General Motors and Sally exercised their freedom of choice. D) This example doesn't relate to freedom of choice. E) Neither General Motors nor Sally exercised their freedom of choice because they were both forced into their respective roles.
6.	When individual firms are small and the number of firms is large, this describes which degree of competition? A) Selective competition B) Monopolistic competition C) Monopoly D) Perfect competition E) Oligopoly

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7.	<p>Retepson, Inc. has been in business for over 50 years. Retepson is best known for its "Guide to Colleges" line of books designed for high school students seeking admission to undergraduate programs. Basic information about a program is included in the books at no charge to the colleges, but colleges may purchase additional advertising space. Traditionally, Retepson has made money by selling advertising in its books and by charging students for the books themselves. Recently, however, profits are down, and the company is considering whether new developments in information technology will make its current business model obsolete.</p> <p>Which of the following questions is most relevant to Retepson's decisions with respect to the viability of its business model?</p> <p>A) Does Retepson currently have high market share or low market share in the industries in which it competes?</p> <p>B) Has Retepson been profitable throughout its history?</p> <p>C) Would the profit margins of any new businesses be higher or lower than current profit margins?</p> <p>D) To what extent will college students be likely to choose books to get information about colleges?</p> <p>E) Are people who bought Retepson books in the past likely to buy new editions of those books after they leave college?</p>
8.	<p>Which of the following would not likely be a consequence of a recession?</p> <p>A) Aggregate output declines.</p> <p>B) Producers will hire more employees.</p> <p>C) Unemployment will increase.</p> <p>D) Less labour will be needed to produce products.</p> <p>E) GDP will decrease.</p>
9.	<p>If Canada fell into a depression, the Bank of Canada would most likely</p> <p>A) raise interest rates.</p> <p>B) leave interest rates alone.</p> <p>C) lower interest rates.</p> <p>D) it is not possible to tell with the information given.</p> <p>E) increase gasoline taxes.</p>
10.	<p>The socio-cultural environment describes</p> <p>A) the relationship between government and unions.</p> <p>B) the relationship between business and government.</p> <p>C) the relationship between international and domestic corporations.</p> <p>D) the customs, values, attitudes, and demographic characteristics of the society in which an organization functions.</p> <p>E) the intensity of the competition in an industry.</p>
11.	<p>When Microsoft introduced Encarta, it caused the sale of hard copy encyclopedias sold by Encyclopedia Britannica to drop sharply. This is an example of which of Porter's five forces?</p> <p>A) Rivalry among existing competitors</p> <p>B) Threat of potential entrants</p> <p>C) Suppliers</p> <p>D) Buyers</p> <p>E) Substitutes</p>
12.	<p>Which of the following is the best definition of vertical merger?</p> <p>A) A strategy in which one of the companies in the merger is a supplier or customer of the other</p> <p>B) An approach by which firms move away from department-oriented organization and toward</p>

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	<p>process-oriented team structures that cut across old departmental boundaries</p> <p>C) The strategy of using the Internet and word-of-mouth marketing to spread product information</p> <p>D) Any activity that adds value to some input by transforming it into an output for an internal or external customer</p> <p>E) The strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials and resources</p>
13.	<p>When one company sells part of its existing business operations to another company, this is called</p> <p>A) outsourcing.</p> <p>B) intense competition.</p> <p>C) a spinoff.</p> <p>D) a divestiture.</p> <p>E) a strategic alliance.</p>
14.	<p>When Molson merged with Adolph Coors, this was an example of</p> <p>A) a reverse merger.</p> <p>B) a conglomerate merger.</p> <p>C) a vertical merger.</p> <p>D) a poison pill.</p> <p>E) a horizontal merger.</p>
15.	<p>Which of the following, if true, would strengthen the argument for competing in the Chinese market?</p> <p>A) Changes in exchange rates can affect the value of sales made in different countries.</p> <p>B) Even global brands typically choose to tailor their offerings according to the tastes of consumers in different countries.</p> <p>C) The Big Bite Burger has a higher selling price than other items on The Hungry Cow's menu, but it is not the most profitable item because of the cost of its ingredients.</p> <p>D) The Hungry Cow's research indicates that reaching new customers in domestic markets will be more expensive than doing so in emerging markets.</p> <p>E) Chinese companies tend not to pursue the franchise option when attempting to expand into other countries.</p>
16.	<p>Ethical and unethical behaviour is determined partly by the _____ and partly by _____.</p> <p>A) society; culture</p> <p>B) society; values</p> <p>C) individual; culture</p> <p>D) person; religion</p> <p>E) culture; society</p>
17.	<p>_____ is the view that a company's only social responsibility is to make as much money as possible for its shareholders.</p> <p>A) Free market capitalism</p> <p>B) Managerial capitalism</p> <p>C) Globalization</p> <p>D) Mixed economy capitalism</p> <p>E) None of these</p>
18.	<p>The CEO of Perry's Pizzeria, a rapidly growing restaurant chain, is committed to a high level of corporate social responsibility along with continued business success. Which action by the CEO would most enhance the company's reputation for social responsibility?</p> <p>A) Using more nutritious but more expensive, ingredients</p>

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	<p>B) Cutting employees' wages and benefits to boost the company's stock price</p> <p>C) Using marketing or advertising methods that would allow the company to discreetly reduce pizza size without also reducing the price</p> <p>D) Packaging products in material that costs less, even if customers object to the change</p> <p>E) Taking steps that would cause competitors to close their doors</p>
19.	<p>Acme Inc. meets its legal and ethical requirements. In addition, Acme donates \$50 000 each year to local charities, but only when a request is made. Which of the following approaches to social responsibility is evident here?</p> <p>A) Obstructionist</p> <p>B) Accommodative</p> <p>C) Defensive</p> <p>D) Proactive</p> <p>E) It is not possible to tell from the information that is provided.</p>
20.	<p>Moia is a successful entrepreneur who owns several popular pastry shops. She often imports macadamia nuts from countries with poor economic conditions, which has furthered her desire to help improve the lives of the people living there. How can Moia best exhibit corporate social responsibility to the citizens of these nations?</p> <p>A) By including labels on her products indicating where the nuts come from</p> <p>B) By hiring people who have travelled to these nations</p> <p>C) By opening pastry shops in these countries that would create jobs for the citizens there</p> <p>D) By purchasing the nuts more regularly</p> <p>E) By shipping free pastries to these nations</p>
21.	<p>At Telus, the redesign of the company's website was the result of _____ in a large firm.</p> <p>A) product refinement</p> <p>B) intrapreneurship</p> <p>C) entrepreneurship</p> <p>D) starting a business from scratch</p> <p>E) marketing research</p>
22.	<p>Erin feels that she has a wonderful opportunity to create a new apple beverage she saw in Europe by using surplus apples grown near Georgian Bay in Ontario. At this point, which question must she answer in evaluating this opportunity?</p> <p>A) What interest rate will be charged for financing the purchase of capital equipment?</p> <p>B) What depreciation procedures will be used?</p> <p>C) What kind of computers should I purchase?</p> <p>D) Where will my business be located?</p> <p>E) Are there enough customers willing to buy this product?</p>
23.	<p>Bootstrapping means</p> <p>A) doing more with less.</p> <p>B) selling shares.</p> <p>C) designing new products.</p> <p>D) preparing a business plan.</p> <p>E) creating new ideas.</p>
24.	<p>An example of a debt source of funds is _____ and an example of an equity source of funds is _____</p> <p>A) family and friends; venture capitalists</p> <p>B) private lenders; family and friends</p> <p>C) private lenders; trade credit</p>

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	D) venture capitalists; private lenders E) family and friends; private lenders
25.	Which is the most important reason for the failure of small business? A) Poor marketing B) Managerial incompetence C) Loss of interest in the business D) Fraud E) Poor production capabilities
26.	Partnerships are generally more advantageous than sole proprietorships because A) the talents of the partners can be pooled. B) some businesses can only be formed as partnerships. C) there are many types of partnerships. D) partners are jointly and severally liable. E) many people can be the president of the company.
27.	_____ is the governing body of a corporation. A) The board of directors B) The majority shareholders committee C) The audit committee D) The CEO E) A shareholders' board
28.	What is the difference between a public and private corporation? A) Public corporations issue shares, whereas private corporations do not. B) Public corporations are owned by a government, whereas private corporations are owned by private individuals. C) Public corporations are always large, whereas private corporations are not allowed by law to be large. D) Public corporations have articles of incorporation, whereas private corporations do not. E) Public corporations issue shares that are widely held, whereas private corporations issue shares that are held by only a few people.
29.	How is a co-operative different from a corporation? A) A co-operative has no shareholders. B) A co-operate is smaller than a corporation. C) In a co-operative, each person has only one vote no matter how many shares they own. D) Double taxation affects co-operatives more negatively than corporations. E) A co-operative is not incorporated.
30.	Susie lives in Vancouver and has noticed that there seems to be a rising interest in goods from the Chinese culture. To take advantage of this she should explore A) subsidies. B) exporting. C) a trade deficit. D) foreign exchange. E) importing.
31.	Many governments require that products sold in their particular country be at least partly made there. This policy involves laws. A) quota B) local content C) business practice

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	D) free trade E) subsidy
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1.	A
2.	E
3.	E
4.	C
5.	C
6.	D
7.	D
8.	B
9.	C
10.	D
11.	B
12.	A
13.	D
14.	E
15.	D
16.	C
17.	B
18.	A
19.	B
20.	C
21.	B
22.	E
23.	A
24.	B
25.	B
26.	A
27.	A
28.	E
29.	C
30.	E
31.	B

Part 2 – Short Answer Questions

Read and answer the questions carefully. Pen ONLY.

Put your answers in the space provided. **Only answers in the space will be marked.**

Please write clearly. If I can't read it, I can't grade it.

- 1) What is the difference between capitalism and socialism? Provide examples.**
- 2) Describe two (2) of the five dimensions of the external environment of business organizations. Provide examples for each.**
- 3) Describe the stakeholder model of social responsibility. Provide examples.**