



UNIVERSITY OF GHANA
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BACHELOR OF DEGREE: SECOND SEMESTER 2017/2018
UNDERSTANDING HUMAN SOCIETIES
UGRC 133: BUSINESS & ECONOMICS

TIME ALLOWED: TWO HOURS

Instruction: Answer Two Questions in Section A and All Questions from Section B.
ANSWER EACH SECTION IN A SEPARATE ANSWER BOOKLETS

SECTION A: INTRODUCTION TO ECONOMICS (50 MARKS)

Instructions:

Answer TWO Questions from this Section; Question 1 and Any Other Question

Question 1: Answer this question

(30 marks)

- a. Gilbert likes to eat pizza every Wednesday evening. Assume a situation in which his income increases, analysis and illustrate with the aid of diagram(s) the effect this will have on the equilibrium price and quantity of pizza purchased. (5 marks)
- b. Some oil producing countries in the 1970s came together to form a cartel, referred to as the Organization of the Petroleum Exporting Countries (OPEC). These countries aimed at reducing production and supply of crude on the world market. Discuss the resultant effect of this phenomenon on non-oil producing countries around the globe as well as its impact on countries forming the cartel. (10 marks)
- c. During the Workers' Day Celebration on 1st May, the Government of Ghana promised to protect workers' purchasing power by setting a price floor for them. What will be the effect of this policy on demand and supply of labour? (3 marks)
- d. In the subsequent year, if government decides to set a price ceiling, what will happen to the demand and supply of labour? (2 marks)
- e. Write shorts on the following:
 - i. Inflation and disinflation (2 marks)
 - ii. Money and interest rates (2 marks)
 - iii. Appreciation and Depreciation of a currency (2 marks)
 - iv. Balance of Payment (2 marks)
 - v. Twin deficits (2 marks)

Question 2

(20 marks)

- a. Define Gross Domestic Product (GDP), and briefly explain the three measures of GDP. (8 marks)
- b. What is the difference between Nominal GDP and Real GDP? (4 marks)
- c. An economy is assumed to produce only three products in two periods. Use the information below to calculate both Nominal GDP and Real GDP in period 2. (8 marks)

Period 1 (Base Year)		
Item	Quantities (Millions of Units)	Price per Unit ('000 Ghana Cedis)
Books	100	5
T-Shirts	50	10
Computers	10	20
Period 2		
Item	Quantities (Millions of Units)	Price per Unit ('000 Ghana Cedis)
Books	40	5
T-Shirts	20	20
Computers	60	40

Question 3

(20 marks)

- a. Define unemployment. State and explain the major types of unemployment. (10 marks)
- b. What is the difference between underemployment and vulnerable employment? (6 marks)
- c. If the Consumer Price Index (CPI) is 125 in 2015, but increases to 175 in 2016, what will be the rate of the inflation in both years if 2015 is the base year? (4 marks)

SECTION B: INTRODUCTION TO BUSINESS (50 MARKS)

Instructions:

Answer all questions in this section.

Indicate the correct Answer selecting the corresponding alphabet.

All answers should be written in the answer booklet provided for this section.

1. Efficiency focuses on the means of achieving goals, whereas effectiveness focuses on the results themselves.

- A. True
B. False

2. To be effective means to use resources wisely and cost-effectively.

- A. True
B. False

3. One of a manager's responsibilities is motivating people to work hard to achieve the organization's goals.
A. True
B. False
4. "Changes in technology" refers to one of the four kinds of people changes that management may need to implement.
A. True
B. False
5. Technology is defined as any machine or process that gives an organization a competitive advantage in changing materials used to produce a finished product.
A. True
B. False
6. The important thing to know about production or operations is that the terms refer to any process that takes basic resources and transforms them into finished products.
A. True
B. False
7. Three things you can do to transform your own work such that you become more efficient are to reduce procrastination, increase multitasking, and increase the use of checklists.
A. True
B. False
8. Sam purchased a popular fast-food franchise but did not make a profit in his first quarter of operation. Still, Sam was probably required to pay royalties to his franchisor.
A. True
B. False
9. Transformation processes add value to factors of production to produce goods or services.
A. True
B. False
10. Competitors are a stakeholder group in a business.
A. True
B. False
11. Competitive advantage is the ability of an organization to sell goods or services at a lower price than its competitors.
A. True
B. False
12. People who want to be successful in business have no time to focus on personal skills.
A. True
B. False

6

13. A venture capitalist receives an ownership stake in a new business in return for its investment.

- A. True
- B. False

14. Tax credits are a key tool that governments use to encourage business development in enterprise zones.

- A. True
- B. False

15. The term *going public* refers to the launch of a company's website.

- A. True
- B. False

16. Big businesses are more likely to fail than small businesses.

- A. True
- B. False

17. Small businesses can fail due to problems with economies of scale.

- A. True
- B. False

18. The incoming and outgoing of money in a business enterprise is called total balance of payments.

- A. True
- B. False

19. Nearness to suppliers is an important factor in choosing the best place to locate a business facility.

- A. True
- B. False

20. Nearness customers is not an important factor in choosing the best place to locate a business facility.

- A. True
- B. False

21. What is the term for the total amount of money produced by the sale of goods and services?

- A) revenue
- B) profit
- C) assets
- D) expenses
- E) loss

22. Which of the following is NOT an example of a good?

- A) a pair of shoes
- B) a print ad

7

- C) a dozen farm-fresh eggs
- D) a barrel of oil
- E) a stack of diner pancakes

23. What is the formula for calculating profit?

- A) revenue minus loss
- B) revenue plus costs
- C) expenses minus revenue
- D) revenue minus expenses
- E) expenses plus revenue

24. Which of the following would be LEAST interested in building a high-growth business?

- A) entrepreneurial team
- B) necessity entrepreneur
- C) classic entrepreneur
- D) opportunity entrepreneur
- E) micropreneur

25. Which of the following terms is most often associated with home-based businesses?

- A) classic entrepreneur
- B) micropreneur
- C) necessity entrepreneur
- D) opportunity entrepreneur
- E) intrapreneur

26. Which of the following would NOT be considered a small business in the Ghanaian context?

- A) a beauty shop owned by two women, with monthly revenue of ₵23,000
- B) a sandwich shop owned by a corporation, with monthly revenue of ₵34,000
- C) a food truck owned by a college student, with monthly revenue of ₵6,000
- D) a pool cleaning service owned by a family, with monthly revenue of ₵160,000
- E) a luxury online gift service owned by a retired woman, with monthly revenue of ₵225,000

27. Which of the following is NOT one of the four basic forms of business ownership?

- A) franchises
- B) partnerships
- C) cooperatives
- D) corporations
- E) sole proprietorships

28. What is the oldest, simplest, and the most common form of business ownership?

- A) corporation
- B) cooperative
- C) partnership
- D) sole proprietorship
- E) franchise

29. Which of the following is NOT a benefit of being a sole proprietorship?

- A) starting up the business with ease
- B) making all your own decisions
- C) keeping all the profits
- D) paying no income taxes
- E) ending the business with ease

30. Adjoa runs a small medical bills collections agency. She decides what to charge her customers, whom to hire, and how to grow the business. She allows her employees to bring their children to work on occasion and doesn't have to share financial information with anyone. Which benefit of running a sole proprietorship is described above?

- A) starting up the business with ease
- B) making all your own decisions
- C) keeping all the profits
- D) keeping your taxes relatively simple
- E) ending the business with ease

31. When Nancy started her all-natural homemade soaps business, she made and sold the soaps from her garage. Her father gave her startup money to pay for ingredients and packaging materials, which made him a silent partner. Nancy has since paid him back in full. What kind of company is Nancy's now?

- A) a general partnership
- B) a sole proprietorship
- C) a limited partnership
- D) a limited liability company
- E) a B corporation

32. After Amankwah retired from the fire department, he decided to open a sandwich shop near the beach. He paid his startup costs—licenses, building rental, refrigeration, ingredients, and employee's initial pay—with a loan he took out against his house. When a customer sued Amankwah, claiming she got sick from spoiled roast beef, Amankwah lost not only the business but also his house, his car, and part of his pension fund from the fire department. Which of the five disadvantages of being a sole proprietorship explains Amankwah's fate?

- A) not being able to sell the business
- B) being overstressed about time
- C) having management problems
- D) having limited financial resources
- E) having unlimited financial liability

33. Manuel owns and operates a tow truck company by himself. His busiest times are usually holidays and long weekends, when lots of people are traveling and lots of cars are on the road. Working these times means Manuel is experiencing which drawback of being a sole proprietorship?

- A) having unlimited financial liability, which means his personal possessions are at risk
- B) having to specialize in a variety of tasks
- C) having limited financial resources and few fringe benefits

- D) having management problems
- E) not being able to sell or pass along his business

44. Kojo was a fitness fanatic. If he wasn't out for a run or a bike ride, he was at the gym lifting weights and building muscle. He decided to open a fitness studio, thinking he would be a natural at running such a business. But Kojo hadn't counted on the responsibility of keeping records, meeting internal revenue deadlines, withholding taxes from employees' paychecks, and so on. The business didn't generate enough revenue for Kojo to afford to hire someone to take care of these issues for him. Kojo had to close the business. Which of the drawbacks of being a sole proprietorship did Kojo experience?

- A) having unlimited financial liability
- B) having limited financial resources and few fringe benefits
- C) having management problems
- D) being unable to franchise
- E) not being able to sell or pass along the business

35. Lawrence has a small house painting business with two employees. Lawrence's father gave his son startup money and occasionally contributes to the business financially when Lawrence is having a cash flow problem but has nothing to do with the running of the business. Lawrence always pays his father back out of business profits. What kind of business does Lawrence have?

- A) a sole proprietorship
- B) a partnership
- C) a corporation
- D) a cooperative
- E) a franchise

36. Which statement is true of a general partnership?

- A) The liability of each partner is limited to his or her own acts and omissions.
- B) The business pays a standard corporate income tax.
- C) The partnership acts like a corporation, selling stock on a stock exchange.
- D) Some partners contribute only an investment but do not have any management responsibility or liability.
- E) Two or more partners are responsible for the business and share profits, liabilities, and management responsibilities.

37. Fran's interior decorating business has grown since she opened it by herself three years ago. Now she has another decorator who shares in the managerial decision making and profits, as well as six decorators who share in the basic workload. Fran has restructured her company to reflect these changes and only these changes. What kind of company does Fran have now?

- A) a sole proprietorship
- B) a limited partnership
- C) a general partnership
- D) a limited liability partnership
- E) a limited liability company

38. What process is used to help new employees fit into a job and an organization?

- A) shadowing
- B) networking
- C) development
- D) orientation
- E) mentoring

39. Which of the following is NOT a benefit of the internal recruiting process?

- A) It produces fresh perspectives for the company.
- B) It encourages employees to work harder.
- C) It decreases the risk of bad hiring decisions.
- D) It fosters increased employee loyalty.
- E) It is less costly than alternative recruiting methods.

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41. With its larger sums of money, a corporation is in a better position than a sole proprietorship or a partnership to find good talent, as well as to acquire buildings and equipment that can give it more power in the marketplace. Which benefit of corporation does this description represent?

- A) having little or no liability
- B) getting possible tax breaks
- C) being able to more easily sell ownership shares
- D) having to deal with startup costs
- E) having more managerial and other expertise

42. What does it mean for a corporation to be taxed twice?

- A) The customers pay taxes on the products and services they purchase and then the corporation pays taxes on its profits.
- B) The corporation pays taxes on its profits and then is also taxed on the dividends it sends to its shareholders.
- C) The shareholders pay taxes on the products and services they sell and then the customers pay taxes on the dividends they receive.
- D) The corporation pays taxes on its profits and the shareholders pay taxes on the dividends they receive.
- E) The shareholders split the taxes on the profits among them and also pay taxes on the dividends they receive.

43. Which of the following is NOT a drawback of owning a franchise?

- A) having to publicly disclose financial information
- B) possible disappointment in the payoff
- C) sharing sales revenue
- D) being closely managed
- E) initial startup costs and ongoing fees

44. What is just-in-time (JIT) inventory control?

- A) when companies produce goods and services by integrating many facilities, functions, and processes, from suppliers to customers
- B) when only minimal supplies are kept on the organization's premises and others are delivered by the suppliers on an as-needed basis
- C) a computer-based method of delivering the right amounts of supplies to the right place at the right time for the production of goods
- D) a list of materials that go into the finished product
- E) a computer-based system that collects and provides information about a company's entire enterprise, including identifying customer needs, receipt of orders, distribution of finished goods, and receipt of payment

45) When conducting a SWOT analysis of an organization, which question can help management brainstorm for the *strengths* section of the analysis?

- A) What external changes present interesting possibilities for new products or markets?
- B) What potential actions by competitors pose the biggest challenge?
- C) What necessary skills do the organization's employees currently lack?
- D) What does the organization offer that makes it stand out from the other organizations?
- E) What external economic forces can affect the organization's bottom line?

46) Kyle and Eric run an ice cream stand called Cones 'n' More, set up as a limited liability partnership. Kyle was away on vacation when Cones 'n' More had an electric power failure that kept the ice cream freezers from working for two days. When the power came back on, Eric decided to let the ice cream refreeze and then sell it as though nothing had happened. Many customers became sick, sued the company, and won the suit. What most likely happened to Kyle and Eric as a result of losing the suit?

- A) Kyle and Eric lost the business, and both lost their homes and their cars.
- B) Kyle and Eric lost the business, but only Eric lost his home and his car.
- C) Eric lost his home and his car but the partners were able to keep the business.
- D) Kyle and Eric lost the business, but neither lost anything else.
- E) Neither Kyle nor Eric lost anything.

USE THE CASE BELOW TO ANSWER QUESTIONS 47 TO 50

Ryan Motors is an American company that manufactures small, energy-efficient cars. The company is interested in doing business in Chile, which many consider as having an emerging economy. The company's options include selling to the Chilean market or partnering with Chilean companies to help produce or sell its products in the region.

47) Ryan Motors' director of marketing favors the first option, marketing the company's products in Chile. Which of the following, if true, strengthens his case for the company selling in Chile?

- A) Chile is thousands of miles from the United States.
- B) Chile's economy has grown steadily for the last several years.
- C) Chile has a much lower per-capita income than many other emerging markets.
- D) Chile's government has recently begun to subsidize a Chilean-based automaker.
- E) The United States does not have a free-trade agreement with Chile.

48) Ryan Motors' CEO favors entering into partnerships with Chilean engineering companies. Which of the following, if true, strengthens her case for Ryan to enter into such partnerships?

- A) Chile's economy is largely based on the manufacturing of low-cost consumer goods.
- B) Chile's main exports are agricultural products.
- C) Chile imports almost all of its cars from the United States, Canada, and Japan.
- D) Chile has a low unemployment rate.
- E) Chile has a large proportion of highly educated workers.

49) The Ryan Motors CEO identifies one particular large Chilean engineering company, Gola Technologies, that she says would be a good fit as a partner for Ryan. Which of the following, if true, weakens her case for the partnership?

- A) Gola's annual profits have risen for three consecutive years.
- B) Ryan Motors has fewer financial resources available to it compared to Gola.
- C) Gola recently fought off a merger by another Chilean company by launching a poison pill.
- D) The Chilean engineering technology industry has surpassed that of Brazil in recent years.
- E) Partnerships with foreign companies offer a combination of benefits and drawbacks.

50) A Ryan vice president argues that the company would be better off by pursuing a policy of internal expansion. Which of the following, if true, strengthens his position?

- A) Ryan's management and employees are currently embroiled in a contentious labor dispute.
- B) Mergers in the automotive industry peaked in the 1930s.
- C) External expansion often results in companies consolidating operations and reducing costs.
- D) Ryan recently had a group of top managers leave after a salary dispute.
- E) Ryan has access to a line of credit that allows it to increase its capital investment in its production facilities.