

University Of Toronto at Scarborough
MGTA03 - Introduction to Management I

Mid-Term Test – March 12, 2011

MULTIPLE CHOICE QUESTIONS BOOK – VERSION 1

Family Name _____ Given Name _____
(Please print NEATLY)

Student Number _____

INSTRUCTIONS

1. On the SCANTRON answer sheet:

PRINT your family name,
PRINT your given name
PRINT your student number

2. On the SCANTRON answer sheet

fill in all the appropriate bubbles corresponding to your name,
fill in all the appropriate bubbles corresponding to your student number

3. Instructions 1 and 2 (above) are an integral part of the examination. Failure to comply with these simple instructions causes additional work, delay and confusion. If you fail to complete the relevant sections of the SCANTRON sheet correctly and fully, you will have 5 marks deducted from your grade on this exam!

4. When recording your answers on the SCANTRON sheet, make sure you:

- a) Use a pencil
- b) Fill in the SCANTRON bubbles neatly and completely
- c) Erase any changes as completely as possible
- d) Be very careful to place each answer in the correct space

5. You have 90 minutes to write the exam.

This booklet consists of 44 multiple-choice questions.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) What is the version of the exam you are writing? (Correct Answer is A)
 - a) Version 1
 - b) Version 2

- 2) Which one of the following is not a characteristic of an oligopoly?
 - a) great product differentiation
 - b) prices differ greatly
 - c) few sellers
 - d) many buyers

- 3) Of the following, which is a way in which monopolistic competition differs from perfect competition?
 - a) There are more sellers in a market characterized by monopolistic competition.
 - b) It is easier for sellers to enter a market/industry characterized by monopolistic competition.
 - c) In a market characterized by monopolistic competition, a few firms have some control over price.
 - d) None of the above.

- 4) Entrepreneurs are important because they:
 - a) provide all of the capital to start new businesses
 - b) assemble and organise the resources to start new businesses
 - c) both a and b are true.
 - d) neither a nor b is true.

- 5) The price of cooking oil rises 5%. Tim Hortons then raises the price of its donuts by 9%. At the same time, the Highland Creek Bakery raises the price of its donuts by 5%. This kind of pricing strategy would suggest these businesses are engaged in:
 - a) perfect competition
 - b) a monopoly
 - c) an oligopoly
 - d) monopolistic competition

- 6) Labour includes:
- a) all the workers involved with the business
 - b) only workers who do work directly to product or service
 - c) only people who are not managers
 - d) only employees who must be paid
- 7) When is an industry likely to be dominated by small business firms?
- a) where a lot of resources are needed
 - b) where few resources are needed
 - c) where machine, materials, employees, and money are needed
 - d) where considerable resources, a distribution network, and advertising are needed
- 8) Mario's Pizzeria sells only two kind of pizza: plain and all-dressed. Last year, Mario's Pizzeria sold 2,000 all-dressed pizzas, selling them for \$10 each. Mario's sold 10,000 plain pizzas at \$5 each. The cost of the ingredients, the box, and all of the electricity and utilities to make the pizzas came to \$20,000. In addition, Mario paid \$10,000 rent for the store. Finally, Mario paid a total of \$10,000 to a couple of students who worked part time, helping out on busy Friday and Saturday nights. Mario paid himself no salary, but took home all of the profits. Last year, Mario made a profit of
- a) \$40,000
 - b) \$30,000
 - c) \$60,000
 - d) loss of -\$10,000
- 9) This year, Mario Pizzeria decided to reduce the price of its all dressed pizza from \$10 down to \$8. Mario thought that this might increase the volume of sales. He was correct. The lower price increased demand for all-dressed pizzas from 2,000 to 3,000 during the year. The extra pizzas meant that Mario spent an additional \$2,000 to make the additional pizzas. His rent and the cost of employing the two part time workers did not change. Since Mario lives off of the profit from his business, the decision to lower the price of his pizzas was:
- a) a good idea – the business made a larger profit.
 - b) a bad idea – the business made a lower profit.
 - c) neither a good nor bad idea – the profit stayed the same.
 - d) we don't have enough information to know.
- 10) Which of the following is *not* a characteristic of a typical entrepreneur?
- a) Preference for taking risks.
 - b) Desire for responsibility.
 - c) Desire for immediate feedback.
 - d) Confidence in their ability to succeed.

- 11) The primary motivating force behind entrepreneurs is:
- a) money.
 - b) fame.
 - c) achievement.
 - d) recognition.
- 12) A factor that contributes directly to improving labour as a factor of production is:
- a) creation of more part-time jobs
 - b) programs that decrease unemployment
 - c) better education for more of the population
 - d) programs which lower the rate of inflation
- 13) Which of the following would be *included* in the gross domestic product of Canada
- a) the profits earned by a Canadian-owned automobile plant in Brazil
 - b) the wages paid to Peruvian workers producing coffee for a Canadian company
 - c) the wages paid to Brazilian workers producing coffee for sale in Canada
 - d) the profits earned by a Brazilian coffee company operating in Canada
- 14) The _____ rate is the percentage change in prices from one year to the next.
- a) inflation
 - b) RPI
 - c) CPI
 - d) exchange
- 15) Inflation rates in Africa for 2007 covered a wide range. They run from -8.8% in Chad to 10,453% in Zimbabwe. This means:
- a) What cost \$1 U.S. in Zimbabwe a year ago now costs \$10,453 U.S.
 - b) Cash payments in the local currency in Chad must be spent immediately to be of any value
 - c) The standard of living in rose in Chad in 2007
 - d) Workers in Zimbabwe would prefer to be paid in U.S. dollars (or any other currency) rather than in their own currency
- 16) The standard of living increases when:
- a) the real growth rate of GDP is higher than the nominal growth rate of GDP
 - b) the real growth rate of GDP exceeds the population growth rate
 - c) the rate of inflation is lower than the real growth rate of GDP
 - d) the real growth rate of GDP is less than the growth rate of the trade deficit

- 17) Which of the following did **not** occur as result of the recent (2008-2009) recession in the United States?
- a) GDP fell
 - b) unemployment rose
 - c) GDP per capita fell
 - d) interest rates rose
 - e) government deficits increased
- 18) Why is it difficult to compare the CPI for 1919 with the CPI for 2009?
- a) the First World War led to large price increases that distort the 1919 CPI
 - b) the basket of items in 1919 is very different from the basket in 2009
 - c) the base year has changed since 1919
 - d) Canadians are wealthier in 2009 than they were in 1919

Question Omitted

- 19) How do most people start a new business?
- a) start it themselves
 - b) buy out the other partner
 - d) buy an existing business
 - e) inherit the business
- 20) The extent to which people believe either internal or external events determine outcomes is called:
- a) external/internal orientation.
 - b) locus of control.
 - c) an interdependent sense of self.
 - d) an independent sense of self.
- 21) The number of Canadian employed by small businesses is approximately:
- a) 10% of the total workforce
 - b) 20% of the total workforce
 - c) 50% of the total workforce
 - d) 98% of the total workforce

22) Why is China 4th in overall GDP but 109th in GDP per capita?

- a) There are many people living in China
- b) The Chinese are not very innovative
- c) Many foreign firms have invested in China and repatriate profits
- d) The Chinese lack modern labour protections and safety standards

23) Unemployment is the level of joblessness among

- a) people over the age of 18 and under the age of 65 actively seeking work in a given economy
- b) people over the age of 18 and under the age of 65 in a given economy.
- c) people over the age of 18 and under the age of 65 able to work in a given economy.
- d) people actively seeking work within a given economy.

24) Statistics Canada has published the following figures for the CPI:

Year	2008	2009
Toronto	110.8	113.1
Montreal	110.3	112.5

From these figures, we can conclude:

- a) Prices in Toronto are higher than in Montreal
- b) Consumers in Montreal purchased slightly less in 2009 than those in Toronto
- c) From 2008 to 2009, prices rose by about 2% in both Toronto and Montreal
- d) It is more expensive to live in Montreal than in Toronto

25) Socialism is best described as:

- a) an economy that is free from any regulation or planning
- b) an economic system with elements of both a planned economy and a market economy
- c) a kind of command economy in which the government owns and operates all industries
- d) a kind of command economy in which the government owns and operates many of the factors of production, including many large critical industries

26) Women entrepreneurs:

- a) launch businesses that are smaller than those of men.
- b) launch businesses that have a higher survival rate than that of U.S. businesses overall
- c) neither is true.
- d) both are true.

- 27) Five students wish to start a new business called “Computers-B-Us.” Each student is prepared to invest the same amount and wants to share equally in the profits and management, while limiting their liability. They would most likely start their business as a:
- a) private corporation
 - b) public corporation
 - c) sole proprietorship
 - d) limited partnership
 - e) general partnership
- 28) A limited partnership attempts to:
- a) provide for continuity of operation upon the departure of one of the partners
 - b) limit the number of partners who may vote at board meetings
 - c) limit the number of partners who may purchase a share of ownership
 - d) avoid the problem of unlimited liability for some investors
 - e) limit the geographical area of operation for a business firm
- 29) Advantages of the corporation as a form of business organization do not include:
- a) the guarantee of fixed dividends
 - b) continuity
 - c) limited liability
 - d) professional management
 - e) relatively easy to raise money
- 30) A general partnership has advantages which are similar to a sole proprietorship, such as:
- a) providing for continuity
 - b) limiting owner's liability
 - c) being dependent upon resources of an individual
 - d) easy to transfer ownership
 - e) being simple to organize
- 31) A public corporation is one whose shares are:
- a) available for sale through a stock exchange
 - b) chartered by the federal government
 - c) owned by all taxpayers in a country
 - d) owned by the government, hence "public"
 - e) widely held, so there is no majority shareholder

- 32) Small businesses:
- a) cannot begin as a business corporations
 - b) must begin as either sole proprietorships or partnerships
 - c) must begin as a sole proprietorships
 - d) can begin as business corporations, sole proprietorships, or partnerships
- 33) The balance of payments refers to:
- a) the difference in exchange rates between two countries
 - b) the difference between money flowing into and out of a country as a result of trade and other transactions
 - c) the relative difference between money flowing into and out of a country
 - d) the relative difference in value between a country's total exports and its total imports
 - e) the difference in value between a country's total exports and its total imports
- 34) The practice of protecting domestic business at the expense of free market competition is called
- a) putting an embargo on exports.
 - b) adding tariffs.
 - c) imposing quotas.
 - d) local content laws.
 - e) protectionism.

Question Omitted

- 35) An economic system will occasionally choose to concentrate its factors of production on producing some products rather than others. Through concentration and specialisation, it can make the chosen products better or more cheaply than other countries can. This is known as:
- a) trade specialisation
 - b) economic concentration
 - c) absolute advantage
 - e) comparative advantage
- 36) Market economies have all of the following characteristics, except that they:
- a) encourage entrepreneurship by offering profits as an incentive
 - b) allow customers free choice
 - c) require government intervention in order to prosper
 - d) allow businesses to charge whatever they want for their products and services

Planet Hydrax – Questions 37- 40

On the planet Hydrax there are only four countries. They are:

Canadario: A large, wealthy country, but with a long cold winter

Austrapan: A small, poor country, with beautiful beaches, and a warm and sunny climate.

Great Britaly: A medium sized economy, with a GDP per capita which is less than Canadario's.

Framany: A medium sized economy, with a GDP per capita roughly the same as Great Britaly's.

Canadario's merchandise trade position with the other three countries, in the last year for which complete data is available, is as follows:

Canadario – Exports and Imports – 2009
(millions of Canadarian dollars)

	Austrapan	Great Britaly	Framany
Canadario – Exports to	200	100	100
Canadario – Imports from	100	200	200

- 37) Based on the available information above, Canadario's balance of payments is:
- a) surplus
 - b) deficit
 - c) neither surplus nor deficit
 - d) based only on information above, we cannot determine Canadario's balance of payments
- 38) Based on the available information above, Canadario's balance of trade is:
- a) surplus
 - b) deficit
 - c) neither surplus nor deficit
 - d) based on information above, we cannot determine Canadario's balance of trade

Additional information

Canadario is a very wealthy country, but Canadarian winters are very long and very cold. Millions of wealthy, but aging, Canadarians like to spend their winters in Austrapan. Austrapan is a poor tropical island. These Canadarians "snowbirds" like to walk on Austrapan's beautiful sandy beaches, drink Austrapanian rum, and play golf on Austrapan's scenic courses.

Canadarian tourists and Canadarians who maintain vacation homes in Austrapan spend \$100 million in Austrapan's hotels and restaurants, in its bars, golf courses, tennis courts and beaches.

Great Britaly and Framany have been at war with each other for the last 320 years. Canadario is officially neutral, and therefore continues to trade with both countries. However, because of the war, both Great Britaly and Framany are closed to tourism. In addition, because of the war, very few citizens of those countries (with the exception of a few diplomats and politicians) travel. Therefore, cash flows attributable to "tourism" in both Britaly and Framany are negligible.

- 39) Based on the available information Canadario's balance of payments is:
- a) surplus
 - b) deficit
 - c) neither surplus nor deficit
 - d) we do not have enough information to determine Canadario's balance of payments
- 40) Based on the available information Canadario's balance of trade is:
- a) trade surplus
 - b) trade deficit
 - c) neither surplus nor deficit
 - d) we do not have enough information to determine Canadario's balance of trade

Republic of Scarbonia: Questions 41 – 44

The Republic of Scarbonia is a small country located in Central Europe. Recently, the Scarbonian Ministry of Finance and Economic Planning released data concerning Scarbonia's economic performance in 2008. For comparison and analysis purposes, it included the previous year's (2007) figures in its press release. The key data was as follows

**Republic of Scarbonia
Key Economic Indicators
(billions of Scarbonian \$\$)**

	2007	2008
Gross Domestic Product (nominal)	1.00	1.12
Inflation Rate (% change in CPI from previous year)	4.5%	5.0%
Total Population	3,000,000	3,011,000
Number of people in the workforce	1,000,000	1,000,000
Unemployment Rate	6.7%	6.9%

- 41) From this information we can say the following about the real Gross **National** Product (GNP) of Scarbonia.
- a) between 2007 and 2008, real GNP grew
 - b) between 2007 and 2008, real GNP fell
 - c) between 2007 and 2008, real GNP stayed the same
 - d) we don't have enough information to determine changes to real GNP

42) From this information we can say the following about the standard of living in Scarbonia.

- a) between 2007 and 2008, the standard of living improved.
- b) between 2007 and 2008, the standard of living declined.
- c) between 2007 and 2008, the standard of living stayed the same
- d) we don't have enough information to determine changes to the standard of living

43) From this information we can say the following about labour productivity.

- a) between 2007 and 2008, labour productivity improved.
- b) between 2007 and 2008, labour productivity declined.
- c) between 2007 and 2008, labour productivity stayed the same
- d) we don't have enough information to determine changes to labour productivity in Scarbonia.

44) From this information we can say the following about nominal GDP per capita.

- a) between 2007 and 2008, nominal GDP per capita improved.
- b) between 2007 and 2008, nominal GDP per capita declined.
- c) between 2007 and 2008, nominal GDP per capita stayed the same
- d) we don't have enough information to determine changes to nominal GDP per capita in Scarbonia.