

**RSM100Y1Y
INTRODUCTION TO MANAGEMENT**

**Rotman School of Management | Faculty of Arts & Science
University of Toronto**

December 2011 Midterm test
December 15, 9:00am

No Aids Allowed
Duration 120 minutes

76 Multiple Choice Questions
TOTAL MARKS = 76

NAME:
STUDENT #:

INSTRUCTIONS
Please read carefully!

Answer the following on the computer sheet. (Circled answers on the test paper will NOT be accepted). On the computer sheet, make sure you:

- Use an HB pencil;
- Write and BUBBLE IN your student number;
- Write and BUBBLE IN your last name and initials;
- Please BUBBLE IN the letter **A** in the "FORM" box;
- Completely bubble in your answers;
- Do not make any extra marks on your sheet.

If you fail to follow all of these instructions, it could mean your sheet will not be read properly and that you will not get all the marks you deserve.

Remember: Choose the best answer. There is no penalty for guessing.

1. Entrepreneurs are important because they
 - a. are good managers
 - b. take risks to start new businesses**
 - c. are good at making decisions
 - d. make lots of money
 - e. are rich

2. At the point where the supply curve crosses the demand curve on a graph, it could be said that
 - a. a shortage will result if the price is too low
 - b. a surplus will result if the price is too low
 - c. no sales will be made
 - d. all products offered for sale will be sold**
 - e. no profits will be made

3. Market economies that rely on a private enterprise system maintain that the creation of wealth should be the concern of
 - a. labour unions
 - b. individuals
 - c. work teams
 - d. the government
 - e. business firms**

4. In his book, The Wealth of Nations, Adam Smith made the argument:
 - a. government should let business function without much regulation or restriction but should not let business interfere with politics**
 - b. the invisible hand will move people into agriculture
 - c. the government should own the means of production
 - d. national wealth was created fastest by the mercantile system
 - e. someone will be more successful in business if he or she is a leader and true entrepreneur

5. Private enterprise requires four elements:
 - a. private property rights, freedom of choice, profits, and competition**
 - b. communism, capitalism, socialism, and privatization
 - c. land, labour, capital, and entrepreneurship
 - d. the right to product safety, consumer choice, freedom of information, and no government intervention in business
 - e. supply, demand, equilibrium, and monopoly

6. The four corners of the diamond of sustainable growth are:
 - a. political, economic, social, technical
 - b. economies of scale, financing, regulation, enabling political systems
 - c. corporate tax cuts, vibrant entrepreneurship, specialization, division of labour
 - d. vibrant entrepreneurship, sophisticated managerial capabilities, effective financial systems, enabling political systems**

7. Adam Smith did NOT say:
- Laissez-faire capitalism is best***
 - The wealth of nations depends on its ability to trade freely with other nations
 - Specialization increases productivity
 - The invisible hand will act as an incentive for individual business owners
 - Free enterprise gives us reason to be optimistic
8. In economic terms, a “market” is
- located where buyers can most easily access it
 - available in capitalist nations, but not in communist nations
 - the physical location (for example, a grocery store) where exchanges take place
 - an exchange process between sellers and buyers***
 - all of the above
 - a and c only
9. Canada’s economy is best described as:
- socialist
 - command
 - oligopolistic
 - communist
 - fair and balanced
 - mixed***
10. The prime rate of interest is...
- the lowest rate charged by banks to their customers***
 - the interest rate earned by consumers on savings account deposits
 - the rate charged by banks on all vehicle loans
 - the rate of interest a chartered bank pays to the Bank of Canada on overnight loans
 - none of the above
11. According to the historian Michael Bliss:
- The United States engages in unbounded capitalism
 - Chinese government intervention has a profound effect on Canadian business
 - business has worked with or through government to a greater extent in Canada than in the United States***
 - free trade has been a disaster
 - Canadian manufacturing should be making a comeback soon
12. Which of the following statements about inflation is true?
- inflation decreases the purchasing power of consumer dollars
 - the consumer price index is a good way of measuring inflation
 - inflation increases the purchasing power of consumer dollars
 - both a and b***
 - none of the above

13. A nation's _____ is the total amount that a country owes its creditors.
- trade deficit
 - trade shortage
 - trade deficiency
 - national debt***
 - budget deficit
14. Which of the following is correct in describing economic stability?
- a condition in which the balance between goods demanded and goods produced remains about the same
 - a condition in which the balance between money available and goods produced remains about the same***
 - a condition in which the balance between money available and wages paid to employees remains about the same
 - a condition in which the balance between goods produced and wages paid to employees remains about the same
 - a condition in which the balance between money available and money demanded remains about the same
15. The three key goals of the Canadian economic system are:
- high interest rates, stability, full employment
 - economic growth, inflation, full employment
 - economic growth, economic stability, low unemployment***
 - economic growth, economic stability, full employment
 - none of the above
16. Canada's GDP refers to:
- total quantity of goods and services that a country's citizens can purchase with the currency used in their economic system
 - the pattern of ups and downs in an economy
 - total value of all goods and services produced within a given period in Canada***
 - total value of all goods and services produced in Canada and traded for
 - the business environment that affects all businesses
17. A business plan describes:
- an entrepreneur's proposed business venture
 - financing options
 - the entrepreneur's skills and abilities
 - a marketing plan
 - all of the above***
 - a and c only

18. Which source of capital is identified as a group of small investors who are willing to invest money into the new firm in exchange for an ownership share?
- foreign investors
 - venture capital firm**
 - banks
 - silent domestic partner
 - stockbroker syndicate
19. If you are a sole proprietor,
- your business is likely large
 - your business income is included in your personal tax return**
 - you are probably considering an IPO
 - your limited liability partners cannot overrule you
 - none of the above
20. Assets that a borrower uses to secure a loan or other credit are referred to as:
- tangible assets
 - assignments
 - consignments
 - fixed assets
 - collateral**
21. The _____ fit involves determining if the resources needed to capitalize on the opportunity can be acquired.
- personal-entrepreneur
 - opportunity-resources**
 - entrepreneur-resource
 - resource-entrepreneur
 - entrepreneur-opportunity
22. A public corporation is
- chartered by the federal government
 - one whose shares are for sale at public auctions
 - one that cannot keep secrets from its competitors
 - one whose stock is available for sale to the general public**
 - one that must do business with the general public
 - owned by the federal or provincial government
23. Public policy systems
- have stock that is available for trading
 - can help to supply infrastructure and human resources**
 - provide an absolute advantage
 - include fair lending policies
 - none of the above

24. When the value of the Canadian dollar rises:
- our imports become cheaper and our exports become more expensive***
 - our imports become more expensive and our exports become cheaper
 - there is no change in the price of our imports and exports
 - both our imports and our exports become more expensive
 - both our imports and our exports become cheaper
25. The United States has periodically imposed tariffs on Canadian softwood lumber because:
- the tariffs help American builders
 - Canadians save money by buying US citrus fruit and can spend the money on other items
 - The American lumber industry lobbies trade representatives in Washington***
 - Americans want to use American lumber in home construction
 - all of the above
 - c and d only
26. The _____ is the governing body of a corporation.
- the CEO
 - the board of directors***
 - a shareholders' board
 - the majority shareholders committee
 - the audit committee
27. The following are all forces that have combined to spark and sustain globalization EXCEPT:
- competitive pressure
 - governments and businesses have simply become more aware of the benefits of globalization to their countries and shareholders
 - dollarization of the currency across all countries around the world***
 - communication technology
 - new technologies make international travel, and commerce increasingly easier, faster, and cheaper than ever before
28. Canada typically has a(n) _____ balance of trade and a(n) _____ balance of payments.
- unfavourable, favourable
 - favourable, unfavourable***
 - unfavourable, unfavourable
 - favourable, favourable
 - very unfavourable, very favourable

29. Decoding involves:
- transforming your ideas into verbal and nonverbal signals
 - transforming verbal and nonverbal signals into meaning**
 - engaging others in dialogue
 - imputing intent
 - Both c and d
 - None of the above
30. One major fault of most business communication is:
- it invites comment from too many other sources
 - an attempt to understand the other parties' point-of-view
 - dialogic communication
 - it tends to take the form of message delivery**
 - it tends to be a form of joint accomplishment
31. A typical example of the dialogic approach to communication is:
- Ashley Madison
 - the obstructionist stance
 - negotiation**
 - an integrative solution
 - none of the above
32. When Charlotte Beers took over as CEO of Ogilvy and Mather, she sent a video to all 7200 employees. This proved to be effective because
- the message was not translated or diluted
 - employees could view the video on their own time and repeatedly
 - sending a video was a creative act and was viewed as such by employees
 - all of the above**
 - none of the above
33. A press release is a good example of:
- dialogic
 - intentionalist
 - message delivery**
 - encoding/decoding
 - perspective-taking
34. An executive summary is
- a one page summary of a main issue for your boss
 - pure dialogic
 - an example of "the medium is the message"
 - a summary of important points for employees
 - a summary of analysis and recommendations for an executive**

35. Power point presentations often
- contain too much information
 - become something known as a “slide deck”
 - are targeted to senior management
 - d. all of the above***
 - a and b only
36. Business communication tends to
- be all signal and no noise
 - take a variety of perspectives
 - c. be very tightly controlled***
 - invite response
 - all of the above
 - b and c only
37. Ethics are:
- believing what’s right for one person is wrong for another
 - b. standards or moral values regarding what is right and wrong***
 - the command to love one another
 - standards for how we should treat each other
 - avoiding doing things that, if everyone did them, would result in a real mess
38. All of the following are functions of codes of ethics EXCEPT
- they help management respond to problems that arise as a result of unethical behaviour
 - they increase public confidence in a firm or its industry
 - they may help stem the tide of government regulation
 - d. they ensure that unethical behavior will not occur in the firm***
 - they improve internal operations by providing consistent ethical standards
39. John wants his employees to be aware that they should act ethically. He should
- deal with employees’ unethical behavior privately
 - publicly reward ethical behavior and ignore unethical behaviour
 - publicly discipline employees who behave unethically, but don’t fire them
 - fire anyone who behaves unethically
 - e. adopt a written code of ethics***
40. The ethical _____ norm would ask, “Does this optimize the satisfaction of all constituencies?”
- rights
 - reciprocity
 - justice
 - caring
 - e. utility***

41. The view that business should balance its commitments to the stakeholders in its environment is known as:
- stakeholder theory
 - social responsibility**
 - social auditing
 - business ethics
 - managerial capitalism
42. Responding to increased demand with overly steep, and often unwarranted, price increases is called:
- demand pricing
 - unit pricing
 - price fixing
 - price leadership
 - price gouging**
43. Which of the following illustrates how a company could be irresponsible with respect to its investors?
- The board of directors declares a stock split
 - Management accepts a takeover bid from another company
 - No dividends are declared even though the company made a profit
 - The president of the company overstates the positive impact of a new contract**
 - Use profits to fund research and development
44. A company claims that its products are natural and renames its product, including the word “green” even though the product has not changed. This is known as
- CSR
 - whistle-blowing
 - greenwashing**
 - all of the above
 - a and c only
45. Most of our models are mostly right most of the time. Yet, Charles Munger suggests that we pay attention to our models because
- we need to know the math
 - investors are almost always wrong
 - of taxation without representation
 - automatic thinking often contains predictable errors**
 - none of the above
46. All models are
- representations of a lens
 - representations of reality that help us give meaning to our experience**
 - complex
 - causal
 - all of the above

47. Integrative thinking is
- an ability***
 - something we are either born with or born without
 - applicable at the executive level of business only
 - a series of typical decision errors
 - a realistic view of the facts
48. To be integrative thinkers, we need to
- accurately describe reality
 - know the right answer
 - implement decisions
 - understand our own and others' models***
 - be decisive
49. The “creative spark” is required for integrative thinking because
- we never know when the right answer will appear
 - tough choices are required
 - others' ideas might seem pretty good, but ours will be better
 - our models are accurate
 - integration involves generating a new model***
50. Cost – Benefit analysis is a useful model for many day-to-day decisions. It often fails in high stakes decisions because
- we can never denominate all costs
 - it is easier to imagine the benefits than the costs
 - we are all boundedly rational
 - we cannot evaluate all possible benefits
 - all of the above
 - a, c, and d only***
51. Event schema are very useful because they
- allow us to avoid goats in restaurants
 - provide certainty in new situations
 - allow us to predict what might happen next***
 - all of the above
 - b and c only
52. Very few of your colleagues pictured a middle aged man when prompted to “Think of a nurse” because
- very few nurses in Toronto are men
 - role schema are ingrained shortcuts that bring readily available images to mind***
 - event schema lead us to think of female nurses
 - media and experience help to determine our person schema for a nurse
 - all of the above

53. Which of the following is NOT a common fallacy in typical thinking?
- “I know the truth”
 - “If you disagree with me, you must be wrong”
 - “If you disagree with me, my job is to prove you wrong”
 - “If we cannot agree, we should combine the strengths of my model with the strengths of your model”**
 - “If we cannot agree, we should compromise”
54. Most people believe that deaths from fire are more common than deaths from emphysema. This false belief stems from
- role schema
 - faulty mindsets
 - paradigm shift
 - availability**
 - anchoring and the failure to adjust
55. Stereotyping is usually a result of
- anchoring and the failure to adjust
 - faulty mindsets
 - representativeness and availability biases**
 - image and ground
 - role schema
56. When a salesperson tells you that a product has a 30 day free trial period, the salesperson is predicting that you will experience
- buyer’s remorse
 - event schema
 - a feeling that all models are wrong
 - a framing error
 - the endowment effect**
57. Procrastination, instead of studying for exams, is predicted by:
- the phenomenon of future discounting
 - dynamic inconsistency
 - temporal myopia
 - all of the above**
 - a and b only
58. Ashley Madison’s catch phrase in advertising is “Life is short. Have an affair.” The suggestion that “life is short” is effective because most people have a tendency to
- take action to cheat on their partners
 - take action to avoid loss**
 - have preferences that are asymptotic to the horizontal
 - be very prone to suggestion
 - all of the above

59. The Integrative Stance contains all of the following EXCEPT
- opposing models can be leveraged
 - better models exist
 - I wade into complexity
 - I give myself time to create
 - my model is superior to others'***
60. Seek and Leverage means all of the following EXCEPT
- work with the tension between conflicting models
 - drive for more insight based on this tension
 - explore and understand others' models as much as possible
 - create a new, superior model
 - re-confirm that there is no model clash***
61. Groupthink occurs in teams when:
- information about alternatives is shared widely
 - criteria are discussed well before plans are made
 - people distort information to fit their own preferences
 - agreement becomes more important than doing the right thing***
 - none of the above
62. Effective teams:
- plan their process
 - receive direction from their manager on how to accomplish their goals
 - divide labour according to expertise to maximize efficiency
 - avoid all conflict
 - all of the above
 - a, and c only***
63. Katzenbach and Smith suggest that work groups differ from teams because:
- teams plan their own processes
 - work groups designate a leader who can direct team decisions and plans
 - teams are accountable to each other for the process and outcomes
 - work groups allow leadership to emerge depending on expertise
 - all of the above
 - a, b, and c only***
64. Great leaders involve their employees in decisions because
- employees who participate are more committed to process and outcomes
 - the leaders do not have ideas about solutions to problems
 - mediation takes less time than arbitration
 - employees perceive greater procedural justice
 - all of the above
 - a and d only***

65. In the article entitled “What Leaders Really Do”, John Kotter argues that managers do which of the following?
- motivating and inspiring
 - develop a meaningful vision
 - align employees to the vision
 - e. planning and controlling employee actions, budgets, and processes***
 - create a culture of leadership development
66. Management behaviours could also be categorized as:
- integrative
 - b. transactional leadership***
 - transformational leadership
 - charismatic
 - none of the above
67. Which of the following are typical of Level 4 leaders?
- put a plan in place for the next CEO
 - b. attribute company success to themselves***
 - are more plow horse than show horse
 - all of the above
 - b and c only
68. Which of the following are typical of Level 5 Leaders?
- focus on business results
 - self-serving bias
 - attribution of company success to employees and failure to themselves
 - none of the above
 - e. a and c only***
69. Emotional intelligence is
- a talent that you are either born with or born without
 - the ability manipulate employees’ emotions to be labeled as charismatic
 - c. a set of skills***
 - the ability to use emotion to persuade employees to agree with ideas
 - all of the above
 - a and c only
70. Teams have a tendency to _____ more than any of the individuals in the team.
- take more risks
 - take fewer risks
 - review a wide variety of possible solutions
 - all of the above
 - f. a and b only***

71. A good conflict plan for team process contains all of the following EXCEPT
- avoids laying blame
 - involves all members of the team
 - an arbitration option***
 - all of the above
 - none of the above
 - a and c only
72. Four good friends could end up eating at a restaurant that none of them like if they fall prey to
- representativeness
 - the Abilene paradox***
 - group polarization
 - hidden profile
 - none of the above
73. Based on the groupthink hypothesis, the main tendency for any cohesive team is
- mindguards
 - inherent morality of the group
 - self-censorship
 - concurrency seeking***
 - illusion of invulnerability
74. Team members with few tangible business skills can add value to a team if they
- are good communicators
 - understand team function and processes
 - act as an arbiter of conflict
 - help the team achieve groupthink
 - all of the above
 - a and b only***
75. Teams are better than individuals when:
- problems are routine
 - a variety of expertise is required***
 - deadlines are tight
 - when the boss is going to take credit for the success of the project
 - none of the above
76. Charisma can be effective in the short term, but may not be sustainable because
- charismatic leaders usually leave
 - charismatic leaders are born, not made
 - the employees and stakeholders of a company decide on a leader's charisma***
 - charismatic leaders often end up in jail
 - the employees and stakeholders of a company are willing to “drink the KoolAid”

END