



School of Business  
Alabama A&M University

# **MOCK Exit Examination**

## Finance

- 1) Christy would like to improve the current ratio of her firm, which is now 0.5, so that she will have a better chance of obtaining a working capital loan. Which of the following options would improve her current ratio?
  - a. use cash to pay off notes payable
  - b. collect some of her accounts receivables
  - c. purchase additional inventory on credit
  - d. borrow short-term funds to pay off some payables
- 2) If a firm's price to earnings (P/E) ratio is 10,
  - a. it is not possible for it to be paying dividends also
  - b. its market to book ratio has to be at least 2.0
  - c. its net profit margin is positive
  - d. its return on stockholders' equity is negative
- 3) The \_\_\_\_\_ correlated the returns from two securities are, the \_\_\_\_\_ will be the portfolio effects of risk reduction.
  - a. more positively, greater
  - b. greater, greater
  - c. less positively, greater
  - d. lower, lower
- 4) Texas Computers (TC) stock has a beta of 1.5 and American Water (AW) stock has a beta of 0.5. Which of the following statements will be true about these securities?
  - a. The addition of TC would reduce portfolio risk more than the addition of AW.
  - b. The addition of AW would reduce total portfolio risk more than the addition of TC.
  - c. The required return for TC is greater than the required return for AW.
  - d. The required return for AW is greater than the required return of TC.
- 5) The following yields on 20 year bonds prevailed in January for the three securities shown:

Aa-rated corporate bond	9.98%
Baa-rated corporate bond	10.34%
B-rated corporate bond	11.12%

The difference in yields is due primarily to
  - a. maturity risk premium
  - b. default risk premium
  - c. seniority risk premium
  - d. financial risk premium
- 6) You have determined the profitability of a planned project by finding the present value of all the cash flows from that project. Which of the following would cause the project to look more appealing in terms of the present value of those cash flows?
  - a. The discount rate decreases.
  - b. The cash flows are extended over a longer period of time, but the total amount of the cash flows remains the same.
  - c. The discount rate increases.
  - d. Statements b and c are correct.
  - e. Statements a and b are correct.
- 7) The difference in yields is due primarily to
  - a. maturity risk premium
  - b. default risk premium
  - c. seniority risk premium
  - d. financial risk premium
- 8) Which of the following bonds will have the greatest percentage increase in value if all interest rates decrease by 1 percent?

- a. 20-year, zero coupon bond.
  - b. 10-year, zero coupon bond.
  - c. 20-year, 10 percent coupon bond.
  - d. 20-year, 5 percent coupon bond.
  - e. 1-year, 10 percent coupon bond.
- 9) A 10-year bond with a 9 percent annual coupon has a yield to maturity of 8 percent. Which of the following statements is most correct?
    - a. The bond is selling at a discount.
    - b. The bond's current yield is greater than 9 percent.
    - c. If the yield to maturity remains constant, the bond's price one year from now will be lower than its current price.
    - d. Statements a and b are correct.
    - e. None of the statements above is correct.
  - 10) The expected rate of return on the common stock of Northwest Corporation is 14 percent. The stock's dividend is expected to grow at a constant rate of 8 percent a year. The stock currently sells for \$50 a share. Which of the following statements is most correct?
    - a. The stock's dividend yield is 8 percent.
    - b. The stock's dividend yield is 7 percent.
    - c. The current dividend per share is \$4.00.
    - d. The stock price is expected to be \$54 a share in one year.
    - e. The stock price is expected to be \$57 a share in one year

## Accounting

- 11) On July 31, Deon Company's general ledger shows a cash balance of \$5,123. The July 31 bank statement shows a balance of \$4,905. Other information is available as follows:
  - A July 31 deposit of \$300 does not appear on the bank statement; but a \$3 service charge does
  - A customer's \$40 insufficient funds (insf) check has been returned with the bank statement
  - Outstanding checks of \$10, \$15 and \$100 are identified on July 31.What is the correct cash balance on July 31?
  - a. \$4,905
  - b. \$5,080
  - c. \$5,166
  - d. \$5,205

### **Questions 12, 13 & 14 are based on the following information**

Inland Company sells computers. The Pentium 4 – 320 sells for \$200 each. Each computer requires two (2) types of raw materials and one(1) hour of direct labor for manufacturing a computer. Raw materials costs \$30 each and direct production labor is paid \$40 per hour. Fixed supervisory costs are \$20,000 per month and Inland rents its factory on a five year lease for \$40,000 per month. All costs are considered costs of production

- 12) How many computers must Inland Company produce and sell each month to break-even.
  - a. 300
  - b. 350
  - c. 600
  - d. 700
- 13) How many computers must Inland Company sell each month to earn a monthly gross profit of \$10,000?

- a. 300
  - b. 350
  - c. 600
  - d. 700
- 14) Another firm has offered to produce the Pentium 4 - 320 for Inland Company and sell it to the company for \$120 each. Inland cannot avoid the factory lease payments, but can avoid all labor costs if it does not produce these computers. Under these conditions, how many Pentium 4 – 320 computers must Inland sell to earn a monthly gross profit of \$10,000?
- a. 417
  - b. 500
  - c. 625
  - d. 875
- 15) If merchandise is sold on account to a customer for \$1,000, terms FOB shipping point, 1/10, n/30, and the seller prepays \$50 in transportation costs, the amount of the discount for early payment would be:
- a. \$0
  - b. \$5.00
  - c. \$10.00
  - d. \$10.50
- 16) Total revenues for John's Video Rental a sole proprietorship for the month of January was \$45,000, and expenses were \$37,500. During the month of January the owner withdrew \$10,000 from John's Video for personal use. The amount of Net Income or Net loss would be:
- a. \$45,000 net income
  - b. \$7,500 net income
  - c. \$37,500 net loss
  - d. \$2,500 net loss

**Use the following information to answer Questions 17 & 18**

Grand Electronics manufactures a model of clock radio, CR2. For the month of July the company estimates sales in units of 4,700 units. At the beginning of the month(July 1) the company estimated inventory of 350 units and inventory at the end of the month(July 31) of 410.

- 17) How many units must Grand Electronics produce in the month of July to meet its estimated sales of 4,700 units?
- a. 4,700
  - b. 4,760
  - c. 5,050
  - d. 5,110
- 18) If Grand Electronics requires 0.50 of an hour to produce one clock radio and the company pays its assembly workers \$10.00 an hour. How much must Grand Electronics budget for its assembly workers for the month of July?
- a. \$23,800
  - b. \$50,500
  - c. \$23,500
  - d. \$47,000
- 19) A profit making business operating as a separate legal entity and in which ownership is divided into shares of stock is known as a:
- a. proprietorship
  - b. service business
  - c. partnership

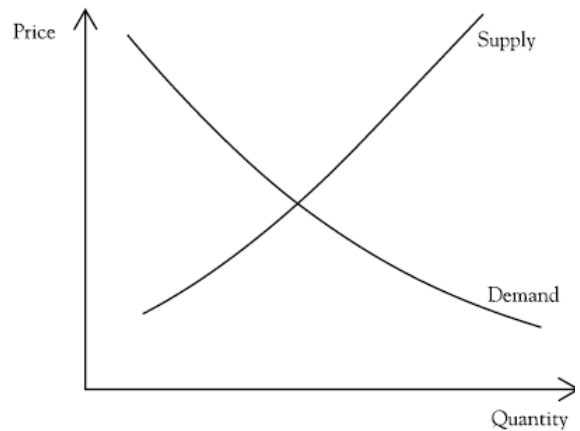
d. corporation

- 20) Lindsay Corporation at the end of the current year has total current assets of \$85,000; total assets of \$285,000; total current liabilities of \$42,000, total liabilities of \$142,000 and total stockholders equity of \$143,000. The company's working capital for the current year is
- a. \$143,000
  - b. \$43,000
  - c. \$127,000
  - d. \$34,000

**Economics**

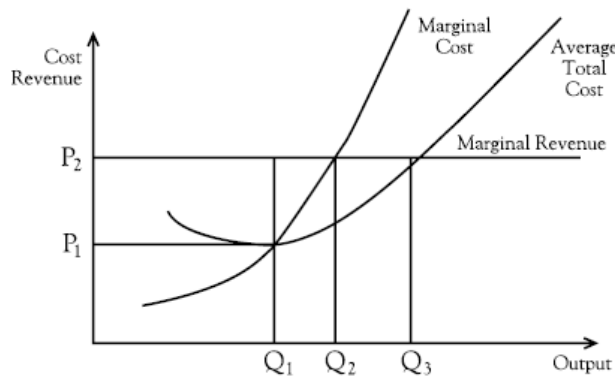
- 21) When marginal product increases,
- a. this has no effect on marginal cost
  - b. marginal cost must become negative
  - c. marginal cost increases
  - d. marginal cost decreases
- 22) In the short-run, firms will shut down (cease production) when
- a. profit is negative
  - b. profit is declining
  - c. operating profit is declining
  - d. operating profit is negative
- 23) If the marginal propensity to consume is 0.8, the marginal propensity to save is
- a. indeterminate
  - b. 1.8
  - c. 5.0
  - d. 0.2

**Questions 24 and 25 are based on the diagram below that shows the demand and supply curves for leather garments.**



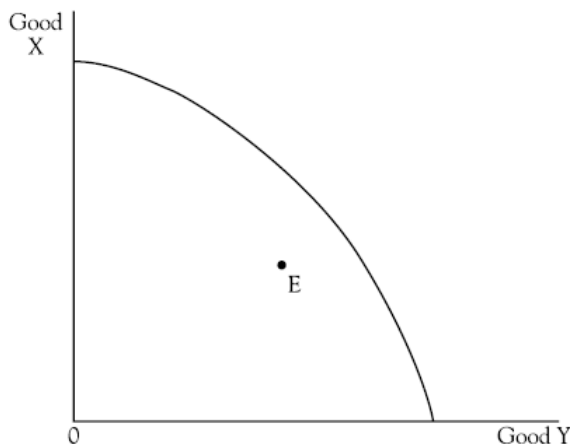
- 24) An increase in the price of leather and a simultaneous increase in consumers' incomes will most likely have which of the following effects on the equilibrium price and quantity of leather garments?
- |    | <u>Price</u>  | <u>Quantity</u> |
|----|---------------|-----------------|
| a. | Increase      | Increase        |
| b. | Increase      | Indeterminate   |
| c. | Indeterminate | Decrease        |
| d. | Decrease      | Decrease        |
- 25) If the government places a price ceiling on leather garments that is below the equilibrium price, which of the following will occur in the market for leather garments?
- a. There will be a shortage.
  - b. There will be a surplus.

- c. The demand curve for leather garments will shift leftward.  
 d. The supply curve for leather garments will shift rightward.



- 26) The profit-maximizing price and quantity for the firm whose cost and revenue curves are shown above will be which of the following?
- | Price    | Quantity |
|----------|----------|
| a. $P_1$ | $Q_2$    |
| b. $P_2$ | $Q_1$    |
| c. $P_2$ | $Q_2$    |
| d. $P_2$ | $Q_3$    |
- 27) When the opportunity cost ratios for two countries differ, a basis for mutually beneficial international trade exists. This situation describes the principle of
- comparative advantage
  - absolute advantage
  - economic growth
  - equilibrium
- 28) Gross domestic product minus depreciation equals which of the following?
- Disposable income
  - Personal income
  - Net domestic product
  - Consumption
- 29) During a recession, an appropriate fiscal policy would be
- an increase in taxes
  - an increase in government spending
  - a decrease in the reserve requirement
  - a decrease in the discount rate

12.



- 30) The diagram above shows the production possibilities frontier for an economy. If the economy is producing at point E, which of the following must be true?
- The economy is not fully employing all its resources.
  - The economy can increase the production of good X only if it decreases the production of good Y.
  - The economy can move to the frontier without changing current techniques of production.
- I only
  - II only
  - I and III only
  - II and III only

### Statistics

- 31) The numbers of hours worked per week by 400 statistics students are shown below

Number of Hours	Frequency
0-9	20
10-19	80
20-29	200
30-39	100

The cumulative relative frequency (less than) for the class of 20-29 is

- 300.
  - 0.25.
  - 0.75.
  - 0.50.
  - cannot be determined from the information given
- 32) The mean of a sample
- is always equal to the mean of the population.
  - is always smaller than the mean of the population.
  - is computed by summing the data values and dividing the sum by  $(n-1)$ .
  - is computed by summing all the data values and dividing the sum by the number of items.
  - None of the above answers is correct.
- 33) During a cold winter, the temperature stayed below zero for ten days (ranging from -20 to -5). The variance of the temperatures of the ten period
- is negative since all the numbers are negative.
  - must be greater than zero.
  - cannot be computed since all the numbers are negative.
  - can be either negative or positive.
  - None of the above answers is correct.
- 34) One of the basic requirements of probability is
- for each experimental outcome  $E_i$ , we must have  $P(E_i) > 0$  or  $= 1$ .
  - $P(A) = P(A^c) - 1$ .
  - if there are  $k$  experimental outcomes, then the sum of  $P(E_i) = 1$ .
  - both b and c.
  - None of the above answers is correct.
- 35) If A and B are mutually exclusive events with  $P(A) = 0.3$  and  $P(B) = 0.5$ , then  $P(A \cup B) =$
- 0
  - 0.15
  - 0.8
  - 0.2

- e. None of the above is correct.
- 36) The student body of a large university consists of 60 percent female students. A random sample of eight students is selected. What is the probability that among the students in the sample exactly two are female?
- 0.0896
  - 0.2936
  - 0.0413
  - 0.0007
  - None of the above answers is correct.
- 37) Larger values of the standard deviation result in a normal curve that is
- shifted to the right
  - shifted to the left
  - narrower and more peaked
  - wider and flatter
  - None of the above answers is correct.
- 38) After computing a confidence interval, the user believes the results are meaningless because the width of the interval is too large. Which one of the following is the best recommendation?
- Increase the level of confidence for the interval.
  - Discard the current data and try a different sample.
  - Increase the sample size.
  - Reduce the population variance.
  - None of the above answers is correct.

### Marketing

- 39) The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a \_\_\_\_\_ focus.
- long term
  - profit
  - short-run
  - product
  - price
- 40) In response to giant retailers and category killers, entrepreneurial retailers are building entertainment into stores with coffee bars, lectures, demonstrations, and performances. They are marketing a(n) \_\_\_\_\_ rather than a product assortment.
- experience
  - customer value
  - customer delight
  - total service button
  - intangible benefit(s)
- 41) Primary data can be collected in several ways. Which of the following primary data collection methods would be exemplified by constructing see-through mirrors in a retail store whereby consumers' actions could be recorded?
- focus groups
  - surveys
  - observation
  - behavioral data
  - experiments
- 42) The 2000 U.S. census provides an in-depth look at the population swings, demographic groups, regional migrations, and changing family structure of 281+ million people. Which of the following

steps to improve the quality of company marketing intelligence system would be most closely associated the above illustration?

- A company can purchase information from outside suppliers.
  - A company can take advantage of government data sources.
  - A company can use online customer feedback systems to collect data.
  - A company can network externally.
  - A company can use its sales force to collect and report data.
- 43) When the Marlboro Man was depicted in advertising as a rugged outdoor, tough cowboy type, this was done to establish what is called a \_\_\_\_\_.
- trademark
  - brand name
  - brand personality
  - psychological approach to advertising
  - brand reference
- 44) As Rita scans the yellow pages section of her phone book looking for a florist, she sees several others products and services advertised. Though interesting on first glance, she quickly returns to her primary task of finding a florist. The items that distracted her from her search were most likely stored in which of the following types of memory?
- short-term memory
  - long-term memory
  - middle memory
  - subconscious memory
  - subliminal memory
- 45) Ultimately, the amount of steel sold to General Motors depends on the consumer's demand for GM cars and trucks. From the standpoint of the steel manufacturer, which of the following demand forms is most pertinent?
- Derived demand
  - Inelastic demand
  - Geographic demand
  - Relational demand
  - Static demand
- 46) A marketing manager is considering several options to market to market segments identified as being either culture-oriented, sports-oriented, or outdoor-oriented. This manager has selected the \_\_\_\_\_ format for segmenting markets.
- personality
  - behavioral occasions
  - user status
  - psychographic lifestyle
  - readiness stage
- 47) There are shifts that favor the customer in the client relationship. Customers are now becoming more sophisticated about buying product support services and are pressing for "\_\_\_\_\_."
- selective pricing
  - institutional pricing/services
  - substitute services
  - promotional pricing
  - services unbundling
- 48) According to information presented in the text, the \_\_\_\_\_ cultural market segment is the most fashion conscious of all the racial groups, tend to

be motivated by quality and selection, and shop more at neighborhood stores.

- a. African American
- b. Hispanic American
- c. Asian American
- d. European American
- e. Indian American

49) Marketers must change their conventional marketing to sell their products to developing countries. One of the changes that marketers can make is to \_\_\_\_\_.

- a. reduce the price of the product but increase the packaging size
- b. reduce the size but keep the pricing the same
- c. reduce the price of the product
- d. reduce the size and price of the packaging
- e. increase the price and the packaging size because these countries have never seen the product before

50) A successful cause marketing program can produce a number of benefits: improving social welfare; creating differentiated brand positioning; building strong consumer bonds; enhancing the company's public image with government officials and other decision makers; creating a reservoir of goodwill; boosting internal morale and galvanizing employees; and \_\_\_\_\_.

- a. increased profit margins
- b. increased brand recognition
- c. driving sales
- d. increasing the rate of return on net worth
- e. increased stock pricing

### Management

**Use the following to answer question 51:**

Maria Mescon is Chief Executive Officer of a clothing company. She spends much of her day coming up with ideas and interacting with fellow employees. Every day, she meets with other supervisors who are in charge of applying her vision to the company's operations. Top supervisors and other employees in the company describe her as "fierce and fearless," because she is willing to do anything for the benefit of the company, whether ethical or not, and she doesn't care what people think of her. Please answer the following questions based on this scenario.

- 51) Based on Maria's character, which early work would be most similar to her management style:
- a. The Art of War, by Sun Tzu
  - b. The Prince, by Niccolo Machiavelli
  - c. The Wealth of Nations, by Adam Smith
  - d. Economic Control of Quality, by Walter A. Shewhart
  - e. Out of the Crises, by W. Edwards Deming

**Use the following to answer questions 52 and 53:**

Sony is interviewing Robert Robinson for a management position. He has always been interested in foreign culture, speaks three languages, and is very interested in working overseas with the company. Please answer the following questions based on this scenario.

- 52) The manager asks Robert to name a change that has recently occurred in international business. Which of the following would be a correct response?

- a. The United States dominates the world economy more than ever
- b. U.S. multinationals dominate international business
- c. Formerly communist economies are now accessible to Western businesses
- d. The global economy has become less knowledge-intensive
- e. The global economy has put an emphasis on physical country borders

53) To assess his knowledge of U.S. international trade, the manager asks Robert: which of the following economic communities the United States is a part of?

- a. The EU and NAFTA
- b. NAFTA and ASEAN
- c. ASEAN and APEC
- d. APEC the EU
- e. NAFTA and APEC

54) If the American company does collaborate with a local company to market the new product, which mode of entry is being utilized?

- a. Exporting
- b. Turnkey projects
- c. Licensing
- d. Wholly owned subsidiary
- e. Strategic alliance

**Use the following to answer question 55:**

Pam is the owner of Pam's Pizza. Pam has constructed a statement that reveals how the firm intends to use its resources, capabilities, and core competencies. She also has developed a statement that reveals her plans of producing, marketing, and utilizing internally based core competencies. She felt that these two statements would give her company some direction. Pam has recently thought about acquiring a bowling alley. However, she is still unsure if this is the right move for her company. She is uncertain because, currently, Pam's Pizza is able to provide its service less expensively than competitors. If she acquires the bowling alley she may lose this advantage.

55) If Pam chooses to stay only in the pizza business, she is performing which type of strategy?

- a. Conglomerate strategy
- b. Differentiation strategy
- c. Diversification strategy
- d. Concentration strategy

56) A professional soccer team is trying to find out if a goalie has talent by having him defend against 10 shots in a series of 3 rotations. The goalie stops 6 the first time, 6 the second, and 5 the third, meaning the test exhibits:

- a. validity
- b. responsiveness
- c. sensitivity
- d. generalizability
- e. reliability

57) Which theory concludes workers can experience several levels of needs at the same time?

- a. Maslow's hierarchy theory
- b. Alderfer's ERG theory
- c. Reinforcement theory
- d. Expectancy theory
- e. Equity theory

**Use the following to answer question 58:**

At work, people develop beliefs about the fairness of the rewards they receive relative to their contributions. Rewards can be things such as recognition, promotions, and pay. Employees have a general perception that the rewards they receive will be proportionate to the work they provide.

- 58) The situation above is based on which theory?
  - a. Equity theory
  - b. Goal setting theory
  - c. Expectancy theory
  - d. Reinforcement theory
- 59) The central idea of "more than one need can motivate at the same time" comes from:
  - a. Maslow's needs hierarchy
  - b. Goal setting theory
  - c. Herzberg's motivator hygiene theory
  - d. Equity theory
  - e. McClelland's learned needs theory
- 60) The U.S. Navy Seals signify:
  - a. high group cohesiveness
  - b. high level of individuality
  - c. significant degree of mistrust
  - d. high level of groupthink
  - e. low level of cooperation

**Production/Operation Management**

- 61) Forecasting are usually classified by time horizon into three categories:
  - a. Short range, medium range, and long range
  - b. Finance/accounting, marketing, and operations
  - c. Strategic, tactical, and operational
  - d. Exponential smoothing, regression, and time series
  - e. Departmental, organizational, and industrial
- 62) The decision criterion that would be used by an optimistic decision maker solving a problem under conditions of uncertainty would be:
  - a. expected monetary value criterion
  - b. equal likely criterion
  - c. maximax criterion
  - d. maximin criterion
  - e. minimin criterion
- 63) A decision maker using the maximin criterion would choose Alternative \_\_\_ because the value of maximin is \_\_\_.

Alternative	State of Nature		
	S1	S2	S3
A	50	55	60
B	-30	50	80
C	70	40	-40
D	-90	-20	130

- a. D; 130
  - b. D; -90
  - c. C; 70
  - d. A; 50
  - e. B; 80
- 64) Which of the following statements about ABC analysis is **False**?
- a. ABC analysis is based on the assumption that controlling the few most important items

produces the vast majority of inventory saving.

- b. In ABC analysis "A" items are tightly controlled, have accurate records, and receive regular review by major decision maker.
  - c. In ABC analysis, "C" items have minimal records, periodic review, and simple controls.
  - d. ABC analysis is based on the assumption that all items must be tightly controlled to produce important cost saving.
  - e. All of the above are true.
- 65) For a certain item, the optimal order quantity obtained by EOQ model was 200 units and the total annual inventory holding cost was \$600. The inventory holding cost per unit per year for this item is:
- a. \$1.50
  - b. \$2.00
  - c. \$3.00
  - d. \$150.00
  - e. not enough data to determine
- 66) Each X requires 2 of component Y; each Y requires 4 of part Z. The lead time for assembly X is 1 week. The lead time for Y is 1 week and the lead time for component Z is 6 weeks. The cumulative lead time for X is:
- a. 6 weeks
  - b. 4 weeks
  - c. 8 weeks
  - d. 10 weeks
  - e. cannot be determined
- 67) What is the forecast for May using a four month moving average?

Nov	Dec	Jan	Feb	Mar	Apr	May
39	44	40	46	42	44	

- a. 48
  - b. 45
  - c. 46
  - d. 47
  - e. 43
- 68) The main purpose of the mean absolute deviation (MAD) in forecasting is to:
- a. estimate trend line
  - b. measure forecast accuracy
  - c. eliminate forecast error
  - d. seasonally adjust the forecast
  - e. all of the above

**Legal and Social Environment**

- 69) In deciding where to bring a lawsuit, the plaintiff should consider:
- a. Where jurisdiction can be obtained over the defendant
  - b. What procedural rules will be used to try the case?
  - c. Both a and b are correct answers.
  - d. Neither a nor b is a correct answer.
- 70) In labor law unfair labor practices by an employer include:
- a. Discriminating against an employee because of union membership.
  - b. Interfering in the employees' choice of a union.
  - c. Both a and b are correct.

- d. Neither a nor b would be unfair labor practice
- 71) The primary overall purpose of the Truth-in-Lending Act is to:
- Provide full disclosure of consumer credit transactions to borrowers and potential borrowers.
  - Speed up the processing and closing of consumer credit transactions.
  - Make consumer credit available to greater numbers of borrowers.
  - Make consumer credit transactions more affordable for borrowers.
  - To provide increased flexibility in the terms of consumer credit transactions.
- 72) Which is true about corporate criminal liability?
- Corporations have always been just as subject to criminal liability as individuals.
  - Because a corporation cannot be sent to prison, they generally cannot be held criminally liable for the actions of their officers.
  - If the criminal conduct can be traced to a specific person or persons, those persons, not the corporation, will be liable.
  - There can be liability for both the individuals who commit crimes and for the corporation on whose behalf the crimes were committed.
- 73) Which of the following is not one of the general sources of international law.
- A treaty between countries.
  - A convention among countries.
  - Custom.
  - United Nations resolutions.
- 74) Which of the following is false concerning contract formation?
- The parties may voluntarily perform a contract that is unenforceable.
  - The parties may voluntarily perform a contract that is void.
  - A valid contract consists of an agreement, legally sufficient consideration, competent parties, and has legal objective.
  - Express contracts are stated in oral or written words.
- 75) Which of the following best describes the requirements of a partnership:
- An association of persons, owning property, sharing gross receipts.
  - An association of persons, owning and operating a business in order to make a profit.
  - An association of persons, owning property in order to make a profit.
  - Any association of persons.
- 76) An express agency requires:
- A written agreement between the principal and agent.
  - An oral or written agreement between the principal and agent.
  - No agreement if the conduct indicates an implied agreement.
  - An ongoing arrangement for a reasonable period of time.
- 77) What is the legal effect today of putting the copyright mark © on a work?
- It entitles the creator to provisional copyright protection until a formal copyright application is filed.
  - It extends the valid period of the creator's copyright such that it continues until 50 years beyond the creator's life.
  - It has no legal effect.
  - Its presence can help defeat an infringer's claim that the infringement was innocent.
  - It prevents the fair use doctrine from applying.
- 78) The theory of business social responsibility that holds that a business owes duties solely to produce the highest return for its shareholders is:
- Moral minimum.
  - Maximizing profits.
  - Stakeholder interests.
  - Corporate citizenship