

## **MAJOR FIELD TEST IN BUSINESS**

### **SAMPLE QUESTIONS**

The following questions illustrate the range of the test in terms of the abilities measured, the disciplines covered, and the difficulty of the questions posed. They should not, however, be considered representative of the entire scope of the test in either content or difficulty. An answer key follows the questions.

1. In marketing research, a firm might consider using secondary data over primary data because
  - (A) secondary data are usually cheaper
  - (B) secondary data are usually more accurate
  - (C) primary data are usually non specific
  - (D) primary data are likely to be outdated
  
2. In organizational decision-making, managers are able to exercise the greatest degree of discretion in the
  - (A) enforcement of internal policies
  - (B) settlement of legal disputes
  - (C) restructuring of outstanding loans
  - (D) compliance with federal regulations
  
3. The term "net working capital" refers to
  - (A) inventories, receivables, and current notes and investments
  - (B) assets divided by liabilities
  - (C) current assets less short-term liabilities
  - (D) net assets left over after subtracting cost of goods sold
  
4. How many pillows must Dreamland produce and sell each month to earn a monthly gross profit of \$1,000?
  - (A) 300
  - (B) 350
  - (C) 600
  - (D) 700
  
5. Another firm has offered to produce "Old Softy" pillows and sell them to Dreamland for \$12 each. Dreamland cannot avoid the factory lease payments, but can avoid all labor costs if it does not produce these pillows. Under these conditions, how many "Old Softy" pillows must Dreamland sell to earn monthly gross profits of \$1,000?
  - (A) 417
  - (B) 500
  - (C) 625
  - (D) 875
  
6. Which of the following statements about the tort of negligence is true?
  - (A) It cannot be used as a basis for liability for defective products.
  - (B) It is a strict liability tort with no defenses.
  - (C) It requires proof of some intentional conduct.
  - (D) It requires proof of breach of a statutory or common-law duty.
  
7. Which of the following statements about a systems flowchart is true?
  - (A) It is used in systems design to define and describe each piece of data.
  - (B) It is a method of writing programs using only three basic constructs: sequence, selection, and repetition.
  - (C) It documents the sequence of processing steps that take place in an information system.
  - (D) It documents the logical design of an information system.

**Questions 4-5 are based on the following information.**

Dreamland Pillow Company sells the "Old Softy" model for \$20 each. One pillow requires two pounds of raw material and one hour of direct labor to manufacture. Raw material costs \$3 per pound and direct production labor is paid \$4 per hour. Fixed supervisory costs are \$2,000 per month and Dreamland rents its factory on a five-year lease for \$4,000 per month. All costs are considered costs of production.

8. On May 31, Company O's general ledger shows a cash balance of \$5,123. The May 31 bank statement shows a balance of \$4,905. Other information is available as follows.
1. A May 31 deposit of \$300 does not appear on the bank statement; but a \$3 service charge does.
  2. A customer's \$40 insufficient funds (nsf) check has been returned with the bank statement.
  3. Outstanding checks of \$10, \$15, and \$100 are identified on May 31.

What is the correct cash balance on May 31?

- (A) \$4,905
  - (B) \$5,080
  - (C) \$5,166
  - (D) \$5,204
9. Within the context of the capital asset pricing model (CAPM), the risk measure known as beta is often computed by regressing the return of the company's stock against the
- (A) return on the company's bonds
  - (B) return on the market portfolio
  - (C) change in the gross domestic product
  - (D) change in the consumer price index
10. A project consists of 150 jobs. The expected completion time for each job is given in days. The project has three critical paths with two jobs in common, *J* and *K*. In order to finish the project one day early, the completion time should be reduced one day for
- (A) each of the 150 jobs
  - (B) each of the jobs on the three critical paths
  - (C) either Job *J* or Job *K*
  - (D) both Job *J* and Job *K*

11. The Organization of Petroleum Exporting Countries (OPEC) reduces production by 10 percent and the growth rate of the world economy begins to escalate. How will the simultaneous occurrence of these events affect the equilibrium price and quantity in the world petroleum market?
- (A) Price will increase, but quantity will remain unchanged.
  - (B) Price will increase, but quantity is indeterminate.
  - (C) Quantity will increase, but price is indeterminate.
  - (D) Both price and quantity will increase.
12. Which of the following would most likely occur as a result of the United States government's imposing tariffs on foreign steel imports?
- (A) The price of steel produced in the United States would decrease.
  - (B) The price of imported steel in the United States would decrease.
  - (C) Employment in the United States steel industry would increase.
  - (D) Government tax revenue would fall.
13. In an economy the unemployment rate is 10 percent and the inflation rate is 1 percent. An appropriate fiscal policy in this phase of the business cycle would be to
- (A) increase government purchases
  - (B) increase income taxes
  - (C) decrease transfer payments
  - (D) decrease the money supply
14. Which of the following is an appropriate Federal Reserve action to stimulate the United States economy?
- (A) Selling government bonds on the open market
  - (B) Increasing the discount rate
  - (C) Reducing the reserve requirement
  - (D) Cutting taxes

15. If the spread between the spot and forward exchange rates of two currencies equals the interest rate difference between the two countries, this phenomenon is referred to as
- (A) purchasing-power equality
  - (B) commodity arbitrage
  - (C) currency hedging
  - (D) interest-rate parity
16. A firm that would like to know whether it has enough cash to meet its bills would be most likely to use which category of financial ratio?
- (A) Liquidity
  - (B) Leverage
  - (C) Efficiency
  - (D) Profitability
17. In a period of rising prices, which inventory valuation method would generally yield both the lowest ending inventory value and the lowest net income figure?
- (A) First in, first out (FIFO)
  - (B) Last in, first out (LIFO)
  - (C) Weighted average
  - (D) Standard cost
18. In the statement of cash flows, the section for cash flows from operating activities will include which of the following?
- (A) Dividends paid
  - (B) Issuance of common stock
  - (C) A decrease in accounts payable
  - (D) Purchase of a building financed entirely by a mortgage
19. Using the net present value (NPV) method for capital budgeting decision making, a project is acceptable if NPV is
- (A) less than or equal to zero
  - (B) greater than or equal to zero
  - (C) less than or equal to one
  - (D) greater than or equal to one
20. All of the following are true regarding a seller's rights to reduce legal liability in the sale of non-consumer goods EXCEPT:
- (A) The seller can disclaim consequential damages if it is done clearly and conspicuously.
  - (B) The seller can limit the remedy available to the buyer if he or she does so clearly and fairly.
  - (C) The seller can place reasonable conditions on the warranty coverage and a shorter time limit of warranty coverage.
  - (D) The seller can disclaim all implied warranties by simply stating that there are no implied warranties.
21. Green desires to form a new company to manufacture lawn mowers. Green is concerned about having his personal assets exposed to liability for the new company's contracts and torts. Furthermore, he wants to retain control over the company's operations and growth for the next few years. He will need an infusion of equity capital to begin operations. He hopes to take the company public in about five years if it is advantageous to do so at the time. Which of the following types of business associations would be best for Green's new company?
- (A) Corporation
  - (B) General partnership
  - (C) Limited partnership
  - (D) Member-managed limited-liability company
22. Human resource staff specialists should attempt to
- (A) provide advice, but not service, to line managers
  - (B) facilitate the functioning of line managers
  - (C) select all supervisors and middle managers
  - (D) relieve line managers of final responsibility in personnel matters

23. A department manager telephoned two managers in other departments to discuss a cost savings idea that would benefit their departments as well as her own. Which of the following most accurately defines the communication channel that the manager was using?
- (A) Upward communication
  - (B) Lateral communication
  - (C) Downward communication
  - (D) Informal communication
24. Based on his scientific management theory, Frederick Taylor developed what pay principle?
- (A) Hourly pay
  - (B) Incentive pay
  - (C) Profit sharing
  - (D) Monthly salary with bonus
25. When a domestic firm permits a foreign company to manufacture and sell its product in exchange for a fee or royalty, the process is termed
- (A) importing
  - (B) exporting
  - (C) licensing
  - (D) countertrading
26. An information system that enables all business departments in the same firm to share relevant information and data is called
- (A) an enterprise resource planning (ERP) system
  - (B) a material requirements planning (MRP) system
  - (C) a decision support system (DSS)
  - (D) a point of sale (POS) system
27. The central processing unit (CPU) in a personal computer contains the
- (A) control unit and memory
  - (B) control unit and arithmetic/logic unit
  - (C) arithmetic/logic unit and bus
  - (D) arithmetic/logic unit only
28. Which of the following is NOT a component of time series data?
- (A) Secular trend
  - (B) Centered moving average
  - (C) Seasonal variation
  - (D) Miscellaneous or irregular variation
29. Family branding refers to a group of
- (A) similar brands of products from different makers
  - (B) different brands of products from different makers within the same industry
  - (C) different products marketed under a single brand name
  - (D) similar products sold by small, family-owned firms
30. Saint Martin Hospital boasts one of the world's leading medical imaging programs. Its radiology department specializes in the early detection of particularly serious forms of stomach, intestinal, and colon cancer. The hospital plans to invest in a new system of digital medical imaging and image transmission technologies that will enable its radiologists to view and evaluate intestinal scan results from anywhere in the world.
- With this investment, the hospital is attempting to overcome which of the constraints of services marketing?
- (A) Inventory
  - (B) Intangibility
  - (C) Inconsistency
  - (D) Inseparability

**Questions 31 - 33 refer to the information below.**

Priceless Treasures, Inc., sells antique jewelry from two retail locations in Baltimore, Maryland. The firm acquires its pieces from antique-jewelry collectors, other dealers, and individuals selling items from their private collections or from the estates of loved ones. About 40% of Priceless Treasures' sales are from its two retail outlets. Another 35% of sales are business-to-business transactions with other retail jewelers, and 25% of sales are from the firm's catalog that it sends to over 4,000 households across the United States.

The catalog business is especially difficult to support for a number of reasons:

- Each item must be presented accurately and tastefully in the catalog, increasing production time and expense.
- When an item sells, there is no replacement, thus many catalog orders must be returned or refused when ordered items have already been sold.
- New items are often held in inventory for two to three months before appearing in the quarterly catalog.

For these reasons, Priceless Treasures' owner, Sally Thornton, wishes to replace the catalog with a Web-based catalog through which customers can order online or through a toll-free telephone call. She believes this system will be much more efficient, as the Web-based catalog will always be up-to-date, with sold items deleted and new items added as they are acquired. However, she is concerned that her customers might not adapt quickly to Web-based transactions and, therefore, that sales will fall. She believes her customers would be reluctant to buy high-priced pieces online or to submit the personal information necessary for an online transaction.

Ms. Thornton wishes to conduct a market research project to explore these issues. She defines the research problem to be determining how Priceless Treasures' target customers would respond to a Web-based catalog approach. She then establishes a research plan and is ready to collect relevant data.

31. Ms. Thornton begins her information search with secondary data. From data collected by the retail jewelers' trade association, she learns that sales of antique jewelry are rising and that the most common purchasers are older, upper-income couples who buy either as collectors or for investment purposes. Though initially reluctant to purchase online, these customers are beginning to overcome their concerns. From United States Census Bureau data, she learns that this population segment is growing in number and will continue to do so throughout the next two decades. At this point what should Ms. Thornton do?

- (A) Summarize the research findings and recommend implementing the Web-based catalog, as the firm's market is clearly growing.
- (B) Collect primary data to determine whether these trends and preferences are reflected in Priceless Treasures' customer base.
- (C) Collect primary data on competitors to determine whether the electronic market for antique jewelry is saturated.
- (D) End the study and retain the current system, as the major customer segment is clearly skeptical of online retailers.

32. In order to collect relevant primary data, Ms. Thornton wishes to conduct a survey of her current customers. To save time and money, she wishes to conduct the survey via a Web-based form that saves responses to a database. In this situation, what is the most significant problem with using this method of administering the survey rather than a traditional mail approach?

- (A) Respondent bias: respondents may not answer the survey truthfully, hence data may be inaccurate.
- (B) Nonprobability sampling: customers who do not use the Internet will not be in the sample, hence correct inferences may not be possible.
- (C) Survey length: respondents will not be able to see the entire survey and thus may answer only part of it, hence data will be incomplete.
- (D) Question complexity: Web-based surveys cannot prevent multiple or inappropriate responses to complex questions, hence some data may be corrupted.

33. Because pictures of products, either in print or on the Internet, can differ from the actual appearance of a piece of jewelry, Priceless Treasures' customers are sometimes surprised by items they have purchased. To reduce customer dissatisfaction, the firm's customer service representatives call customers within 72 hours of purchase to answer any questions they have, confirm their satisfaction with the purchase, and communicate the firm's refund/return policies. With this effort, the firm is seeking to influence the consumers' purchase decision process by

- (A) stimulating customers to recognize a need of which they were previously unaware
- (B) facilitating an information search by providing new information
- (C) influencing alternative assessment by emphasizing the value of the purchased item
- (D) reducing cognitive dissonance through the reassurance of personal contact

**Answer Key**

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|-------|-------|
| 1. A  | 18. C |
| 2. A  | 19. B |
| 3. C  | 20. D |
| 4. D  | 21. A |
| 5. C  | 22. B |
| 6. D  | 23. B |
| 7. C  | 24. B |
| 8. B  | 25. C |
| 9. B  | 26. A |
| 10. C | 27. B |
| 11. B | 28. B |
| 12. C | 29. C |
| 13. A | 30. D |
| 14. C | 31. B |
| 15. D | 32. B |
| 16. A | 33. D |
| 17. B |       |



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