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QUESTION 1

Michael E Porter's competitive strategies model includes an analysis of the competitive forces that determine the attractiveness of an industry. These forces include:

- I. The stage of the industry life cycle
 - II. Threats of, and barriers to, entry
 - III. Threat of substitutes
 - IV. The threat of suppliers' bargaining power
- A.
I and II only.
- B.
I and III only.
- C.
II, III, and IV only.
- D.
I, II, III, and IV.

Correct Answer:

Michael E. Porter, a leader in the field of strategic management, has developed a comprehensive model of the structure of industries and competition. One feature is his analysis of the five competitive forces that determine long-term profitability measured by long-term return on investment. This analysis determines the attractiveness of an industry. The five forces are (1) the degree of rivalry among existing firms; (2) threats of, and barriers to, entry; (3) the threat of substitute products or services; (4) the threat of buyers' bargaining power; and (5) the threat of suppliers' bargaining power.

QUESTION 2

An audit manager allowed a work group to make a decision about whether to adopt a new work procedure. In allowing the group to make the decision, the manager should be aware that groups tend to make:

- A. Very conservative decisions and do not want to assume risk.
- B. Faster decisions than do individuals because groups have more expertise than does any one person.
- C. Decisions that are less accurate than those made by individuals.
- D. Riskier decisions than do individuals, and individual responsibility for the group's decision is lessened.

Correct Answer: D

Groupshift is the difference between the decisions that members of a group would make singly and the group's decision. Sometimes the group's decision is more conservative, but more often it is riskier. What apparently occurs is that the group discussion accentuates the initial tendency of the group. The most likely reason for the more frequent shift toward the riskier course is diffusion of responsibility among members of the group. Thus, no one will be wholly to blame for failure.

QUESTION 3

Job enlargement is typified by:

- A. Horizontal loading of the job.
- B. Vertical loading of the job.
- C. Increased worker control of tasks.
- D. More rapid performance feedback.

Correct Answer: A

Job enlargement is a quantitative (horizontal) extension of the job. It does not necessarily involve any greater worker control, responsibility, or challenge. An example is job rotation through assignment to duties requiring similar skills.

QUESTION 4

Which of the following is a structural factor that may lead to overbuilding in an industry?

- A. The need to add capacity in large increments.
- B. An increase in the minimum efficient scale of production.
- C. An increase in competitive pressure on the suppliers of the firm.
- D. Competitors are not integrated.

Correct Answer: C

Suppliers of capital, equipment, materials, etc., face their own competitive pressures. Thus, lower supplier prices, government subsidies, favorable interest rates, and similar incentives may promote expansion by customer industries.

QUESTION 5

The least risky method of entering a market in a foreign country is by

- A. Indirect exports.
- B. Licensing.
- C. Direct exports.

D. Direct investments.

Correct Answer: A

An indirect export strategy operates through intermediaries, such as home-country merchants who buy and resell the product, home-country agents who negotiate transactions with foreign buyers for a commission, cooperatives that represent groups of sellers, and export-management firms that receive fees for administering the firm's export efforts. Indirect export requires lower investment than direct export and is less risky because of the intermediaries' expertise.

QUESTION 6

Which of the following must be adjusted to index a progressive tax system to inflation?

- A. Tax deductions, exemptions, and tax filings.
- B. Tax deductions, exemptions, and tax brackets.
- C. Tax brackets, tax deductions, and tax payments.
- D. Tax brackets, exemptions, and nominal tax receipts.

Correct Answer: B

QUESTION 7

Which of the following scenarios illustrates an organization that has become out of balance by focusing too much on efficiency rather than effectiveness?

- A. The job is not completed and resources are wasted.
- B. The job is completed but resources are wasted.
- C. The job is not completed but resources are not wasted.
- D. The job is completed and resources are not wasted.

Correct Answer: C

In the narrowest sense, effectiveness is achievement of objectives. It is contrasted with efficiency, which is the ratio of output to input. In the broadest sense, an organization must achieve its objectives efficiently to be considered effective. When the job is not completed but resources are not wasted, the organization is out of balance by focusing too much on efficiency.

QUESTION 8

A mature group lacks which of the following characteristics?

- A. Acceptance of individuals' differences.
- B. Members' awareness of individual roles in group processes.

- C. Attempts to compel unanimity.
- D. Acceptance of group authority and interpersonal relationships.

Correct Answer: C

A mature group has rational discussion of decisions with tolerance of dissent and no attempt to force unanimity. Groups that are in their early stages attempt to force unanimity.

QUESTION 9

Which of the following is true of bond financing, compared to common stock, when all other variables are equal?

- A. Lower shareholder control.
- B. Lower indebtedness.
- C. Higher company earnings per share.
- D. Higher overall company earnings.

Correct Answer: A

QUESTION 10

Some studies show that managers spend 60 to 70% of their time communicating and that nearly 60% of that time is spent listening. Listening effectiveness is best increased by:

- A. Resisting both internal and external distractions.
- B. Waiting to review key concepts until the speaker is through talking.
- C. Tuning out messages that do not seem to fit the meeting purpose.
- D. Factoring in biases to evaluate the information being given.

Correct Answer: A

Concentrating on what the speaker is saying is critical to effective listening. This result is best achieved by resisting internal and external distractions. Physical distractions such as noise, a tendency to be overly aware of the speaker's physical and other differences from the listener, focusing on interesting details at the expense of major points, or emotional reactions to a statement with which the listener disagrees should be avoided.

QUESTION 11

Which of the following would provide the most relevant assurance that the application under development will provide maximum value to the organization?

- A. Use of a formal systems development lifecycle.
- B. End-user involvement.

- C. Adequate software documentation.
- D. Formalized non-regression testing phase.

Correct Answer: B

QUESTION 12

Which of the following is most likely to be a disadvantage of decentralization?

- A. Lower-level employees will develop less rapidly than in a centralized organization.
- B. Top management will have less time available to devote to unique problems.
- C. Lower-level managers may make conflicting decisions.
- D. Lower-level managers may lose motivation.

Correct Answer: C

The disadvantages of decentralization include a tendency to focus on short-run results to the detriment of the long-term health of the entity, an increased risk of loss of control by top management, the increased difficulty of coordinating interdependent units, and less cooperation and communication among competing decentralized unit managers.

QUESTION 13

Which of the following statements regarding database management systems is not correct?

- A. Database management systems handle data manipulation inside the tables, rather than it being done by the operating system itself in files.
- B. The database management system acts as a layer between the application software and the operating system.
- C. Applications pass on the instructions for data manipulation which are then executed by the database management system.
- D. The data within the database management system can only be manipulated directly by the database management system administrator.

Correct Answer: D

QUESTION 14

Which of the following is a regional free-trade zone currently limited to South American nations?

- A. APEC
- B. Mercosul.
- C. The Triad Market.

D. NAFTA.

Correct Answer: B

Mercosul is a free-trade agreement among South American nations. They include Argentina, Brazil, Uruguay, and Paraguay. Chile and Bolivia are associate members.

QUESTION 15

Steps in a negotiation include clarifying interests, identifying options, designing alternative deal packages, selecting a deal, and perfecting the deal. The type of negotiation described is:

- A. Two-party.
- B. Three-party.
- C. Added-value.
- D. Ineffective.

Correct Answer: C

In added value negotiating, the two sides make multiple deals to "add value" to the process. Clarifying interests, identifying options, designing alternative deal packages, selecting a deal, and perfecting a deal are all steps in added-value negotiating.

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