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QUESTION NO: 1

What is the process of identifying risks, analyzing their potential effect, and selecting actions to address them called?

A. Risk management

B. Operational planning

C. Process inspection

D. Financial reporting

ANSWER: A

Explanation:

Risk management is correct because it is the coordinated process through which an organization identifies uncertainty, evaluates the likelihood and potential consequences of events, and chooses appropriate responses. Responses may include avoiding, reducing, transferring, accepting, or monitoring a risk.

Effective risk management is integrated with strategy, governance, operations, and decision-making. It helps leaders protect organizational objectives while recognizing that some risks may also create opportunities. The process requires continuing review because internal conditions, external conditions, and the effectiveness of controls can change over time. See ISO 31000 Risk Management.

QUESTION NO: 2

In which theory, mangers take a negative view and assume that most employees do not like work and try to avoid it?

A. U Theory

B. V Theory

C. X Theory

D. Y Theory

ANSWER: C

Explanation:

The correct answer is **X Theory**, more commonly written as **Theory X**. Developed by management scholar Douglas McGregor, Theory X describes a set of managerial assumptions that employees inherently dislike work, will try to avoid it when possible, lack ambition, prefer direction, and need close supervision or external control to perform organizational tasks. A manager operating from this viewpoint is therefore likely to emphasize rules, monitoring, discipline, and reward or punishment mechanisms to secure performance.

McGregor presented Theory X as one side of a broader framework contrasting assumptions about employee motivation and behavior. The key clue in the question is the explicitly negative assumption that people dislike work and seek to avoid it; this is the defining premise of Theory X. Understanding this concept is important in business management because a manager's underlying assumptions can strongly influence leadership style, job design, delegation, communication, and employee-engagement practices. For an overview of McGregor's framework, see Encyclopaedia Britannica's profile of Douglas McGregor and OpenStax's discussion of motivation theories.

QUESTION NO: 3

What means that the job provides greater responsibility, recognition, and opportunities for growth and development?

A. job simplification

B. job enrichment

C. job enlargement

D. job growth

ANSWER: B

Explanation:

Job enrichment is correct because it is a job-design approach that increases the depth and meaningfulness of an employee's work. It enhances a role by giving the job holder greater responsibility, more autonomy in planning and carrying out work, and opportunities to use judgment and develop new capabilities. Enriched jobs commonly include increased ownership of outcomes, direct feedback on performance, recognition for achievement, and tasks that offer learning and personal development. These characteristics align directly with the question's emphasis on responsibility, recognition, and growth.

The concept is strongly associated with Herzberg's two-factor theory, which identifies achievement, recognition, responsibility, advancement, and the work itself as motivational factors. Job enrichment applies these principles to the design of work so employees can experience greater motivation and satisfaction through the role itself. For an overview of Herzberg's theory and its application to job design, see Mind Tools: Herzberg's Motivators and Hygiene Factors. The U.S. Office of Personnel Management also describes job enrichment as adding meaningful responsibility and challenge to improve work motivation: OPM: Rewards and Recognition.

QUESTION NO: 4

According to _______________, quality is innate excellence and can be recognized only through experience.

A. Awe-inspiring view

B. Transcendent view

C. Magnificent view

D. Uplifting view

ANSWER: B

Explanation:

The correct answer is **Transcendent view**. In the transcendent view of quality, quality is treated as an innate, absolute form of excellence rather than as a feature that can be completely defined through measurable specifications, production conformance, customer preferences, or economic value. It is often summarized by the idea that people may recognize quality through direct experience even when they cannot precisely articulate or quantify every characteristic that makes something high quality. This perspective is associated with David A. Garvin's influential classification of approaches to defining quality. Garvin describes the transcendent approach as viewing quality as "innate excellence," recognizable through experience but difficult to operationalize as an objective standard. The concept is useful when considering products, services, brands, or experiences whose perceived distinction extends beyond a checklist of technical attributes. For a business manager, this view highlights that some aspects of perceived excellence depend on holistic judgment and accumulated experience, even though organizations generally need more measurable definitions for quality control and improvement programs. See Garvin's framework in Harvard Business Review: What Does "Product Quality" Really Mean? and the overview of quality-management concepts from the American Society for Quality.

QUESTION NO: 5

The risks stem from government policies and procedures that directly constrain the international management and performance of local business activities is known as:

A. Foreign-Exchange risks

B. Operating risks

C. Market risks

D. Functional risks

ANSWER: B

Explanation:

Operating risks is correct because this term describes the exposure a business faces when host-government policies, regulations, administrative procedures, or official actions impede its ability to run and manage local operations effectively. The effect is operational: management may face constraints on production, staffing, sourcing, pricing, licensing, distribution, reporting, or other day-to-day activities necessary to perform in the local market. In an international-business context, such government intervention can reduce managerial discretion, disrupt planned processes, and affect the performance of an overseas subsidiary or local business unit. This is commonly treated as a form of political risk whose impact is felt directly in the ongoing operation of the enterprise, rather than merely through a change in market conditions. The World Bank Group's Multilateral Investment Guarantee Agency identifies adverse government actions and restrictions as central forms of political risk affecting foreign investment and business operations. Its political-risk framework is available at MIGA Guarantees. Additional context on political risk and its practical effects on international investment is provided by the U.S. International Trade Administration at Country Commercial Guides.

QUESTION NO: 6

If received an asset and incurred a liability to pay a future bill, this type of transaction is called:

A. payable on account

B. supplies on account

C. sale on account

D. purchase on account

ANSWER: D

Explanation:

purchase on account is correct because it describes obtaining an asset now while agreeing to pay the supplier later. In accounting terms, the business records the asset received—such as inventory, equipment, or supplies—and simultaneously recognizes an accounts-payable liability for the amount owed. The entry follows the dual-aspect principle: the debit increases the relevant asset account, while the credit increases Accounts Payable. No cash payment occurs at the time of the purchase; payment will be recorded later when the business settles the amount due. For example, if a business receives $500 of inventory on credit, it debits Inventory for $500 and credits Accounts Payable for $500. This accurately reflects both the resources acquired and the present obligation arising from the transaction. The accounting guidance on liabilities explains that a liability is a present obligation arising from past events, while educational accounting materials describe purchases on account as purchases made on credit that create accounts payable. See the IFRS Conceptual Framework and OpenStax's accounting-equation guidance.

QUESTION NO: 7

A larger work segment composed of several tasks that are performed by an individual is referred to as:

A. Task

B. Duty

C. Responsibility

D. Chore

ANSWER: B

Explanation:

Duty is the correct term because it describes a broader, identifiable segment of work made up of multiple related tasks performed by an individual. In job analysis, a task is a specific work activity with a defined result, whereas duties organize related tasks into meaningful areas of accountability within a role. For example, an employee may have a duty to maintain customer records; the tasks within that duty can include entering information, checking records for completeness, updating changes, and responding to record-related requests. Grouping tasks into duties makes it possible to define a job clearly, allocate work logically, and develop accurate job descriptions, performance expectations, and training requirements. This task-to-duty structure is central to systematic job analysis, which identifies the work performed in an occupation and the competencies needed to perform it. The U.S. Office of Personnel Management describes job analysis as the foundation for defining job-related requirements and assessment practices. O*NET also provides a structured occupational framework for documenting work activities and job requirements. See the U.S. Office of Personnel Management job analysis guidance and the O*NET Resource Center.

QUESTION NO: 8

A system, which unites all of a company's major business functions, such as order processing, product design, purchasing, inventory, manufacturing, distribution, human resources, receipt of payments, and forecasting of future demand is called:

A. Universal resource planning

B. Technological resource planning

C. Driven-work resource planning

D. Enterprise resource planning

ANSWER: D

Explanation:

Enterprise resource planning is correct because an ERP system integrates an organization's core business processes into a unified system supported by a common database and consistent workflows. Its purpose is to connect functions that otherwise operate as separate departmental systems, enabling information entered for one process—such as a customer order, purchase, inventory movement, production activity, payroll event, or payment—to be available to relevant functions across the enterprise. This integrated view supports coordinated planning and execution in finance, procurement, manufacturing, supply chain and distribution, sales and order management, human resources, and demand forecasting.

In practical business management, ERP provides a reliable operational foundation by standardizing processes, reducing duplicate data entry, improving data visibility, and allowing managers to make decisions using current enterprise-wide information. The broad set of functions listed in the question closely reflects the conventional scope of ERP: it is not merely a planning tool for one resource or department, but an enterprise-level platform for managing interrelated resources and transactions. Oracle describes ERP as integrated applications that automate and support core business processes, while SAP explains that ERP connects every part of a business through a shared system. See Oracle: What is ERP? and SAP: What is ERP?.

QUESTION NO: 9

A tool for organizing a large number of ideas, opinions and facts relating to a broad problem or subject area is called:

A. Interrelationship diagram

B. Affinity diagram

C. Kinship diagram

D. Expansive diagram

ANSWER: B

Explanation:

An affinity diagram is the appropriate tool because it organizes a large volume of unstructured qualitative input—such as ideas, opinions, observations, facts, or customer comments—into meaningful groups based on their natural relationships. It is particularly useful when a broad problem has many possible contributing topics and a team needs to make sense of information before deciding what to investigate or act on. Team members first generate individual statements, then silently sort them into related clusters, and finally assign concise headings that describe the common theme within each cluster. This process converts scattered input into an organized view of the subject area, helping reveal patterns and establish categories for further analysis or planning. In business-management and quality-improvement work, affinity diagrams support collaborative problem definition, voice-of-the-customer analysis, brainstorming synthesis, and prioritization preparation. The American Society for Quality describes the affinity diagram as a method for organizing ideas into groups based on their natural relationships. See ASQ's Affinity Diagram resource. A practical overview of the tool and its use in quality planning is also available from Lean Enterprise Institute.

QUESTION NO: 10

Design for manufacturability and assembly collaborate on achieving which of the following objectives of product design?

A. Producibility

B. Cost

C. Quality

D. All of the above

ANSWER: D

Explanation:

All of the above is correct because design for manufacturability and design for assembly are complementary product-design disciplines that jointly improve producibility, cost, and quality. Producibility is addressed by ensuring that parts, materials, tolerances, and processes can be made reliably with the available manufacturing capabilities. Design for assembly reduces assembly difficulty by simplifying the product architecture, reducing part counts, and making components easier to orient, handle, and join. These design decisions directly influence cost: fewer parts, simpler operations, reduced tooling complexity, and less rework generally lower both production and lifecycle costs. They also support quality by reducing opportunities for variation, incorrect assembly, defects, and process-induced failures. In practice, cross-functional collaboration among product designers, manufacturing engineers, quality personnel, and suppliers is essential because design choices determine much of a product's eventual manufacturing performance. The National Institute of Standards and Technology describes design-for-manufacturing as incorporating manufacturing considerations early in product development, while ASQ identifies design for manufacturability as a method for improving product quality and reducing costs. See NIST Manufacturing Extension Partnership and ASQ: Design for Manufacturability.

QUESTION NO: 11

____________ are targets and tolerances determined by designers of products and services.

A. Terms

B. Specifications

C. Constraints

D. Provision

ANSWER: B

Explanation:

Specifications are targets and tolerances established by product or service designers to communicate the required characteristics of an output. They translate customer needs and design decisions into measurable criteria, such as dimensions, capacity, response time, reliability, appearance, or allowable variation. A target identifies the desired performance level, while a tolerance defines the acceptable range around that target. These defined requirements give operations, suppliers, and quality teams a common basis for producing and evaluating consistent outputs. During quality control, actual product or service performance can be measured against the specification to determine whether it conforms to the intended design. Specifications therefore support process control, acceptance decisions, and continuous improvement by making quality expectations explicit and testable. This use of specifications is consistent with ISO's quality-management principles, which emphasize determining requirements and ensuring that products and services conform to them. The American Society for Quality also describes specification limits as the values that define acceptable product or process performance. See ISO 9000:2015—Quality management fundamentals and vocabulary and ASQ: Statistical Process Control.

QUESTION NO: 12

Duties that are part of a job but are incidental or ancillary to the purpose and nature of a job are called:

A. Marginal functions

B. Essential job functions

C. Frequency functions

D. Supervisory functions

ANSWER: A

Explanation:

Marginal functions is correct because this term describes job duties that may be performed as part of a role but are not fundamental to why the position exists. They are incidental, secondary, or ancillary tasks rather than the core responsibilities that define the job. In job analysis and employment-law contexts, distinguishing marginal functions from essential functions is important: essential functions are the fundamental duties of a position, while marginal functions are duties that can often be reassigned without changing the basic nature of the job. This distinction is particularly significant under the Americans with Disabilities Act, which evaluates whether an individual can perform a job's essential functions, with or without reasonable accommodation. Employers should identify functions based on the actual purpose of the position and the work performed, using accurate job descriptions and operational evidence. The U.S. Equal Employment Opportunity Commission explains that a function may be essential because the position exists to perform it or because only a limited number of employees are available to perform it. See the EEOC ADA Title I Technical Assistance Manual and the U.S. Department of Labor's ADA reasonable-accommodation guidance.

QUESTION NO: 13

The aggressive policy calls for the greatest use of long-term debt, while the conservative policy requires the least, maturity matching falls in between.

A. True

B. False

ANSWER: B

Explanation:

False is correct because the defining distinction among working-capital financing policies is the extent to which a business relies on short-term versus long-term financing. An aggressive policy finances a relatively large portion of both seasonal and permanent current assets with short-term debt. It therefore entails the *least* use of long-term debt, typically lowering stated financing cost while increasing refinancing and interest-rate risk. A conservative policy takes the opposite approach: it uses long-term financing for all permanent current assets and may also use it for part of temporary current-asset needs. Consequently, it has the *greatest* use of long-term debt and provides a larger liquidity cushion. A maturity-matching, or selfliquidating, policy lies between those approaches by matching the maturity of financing to the expected life of the asset being financed: long-term funds support permanent assets, while short-term funds support temporary or seasonal needs. This relationship is a standard application of matching asset and liability maturities in financial management. See the discussion of working-capital financing approaches in OpenStax Principles of Finance and the overview of maturity matching from Corporate Finance Institute.

QUESTION NO: 14

A system that interacts with the external environment is called Open system.

A. True

B. False

ANSWER: A

Explanation:

True is correct because an open system is defined by its ongoing interaction with elements outside its own boundaries. In a business-management context, an organization receives inputs from its environment—such as people, information, materials, capital, customer requirements, and regulatory conditions—then transforms those inputs through its processes and produces outputs, including products, services, decisions, and information. It also responds to feedback from customers, suppliers, competitors, governments, and wider economic or social conditions. These exchanges mean the organization cannot be understood or managed in isolation; its performance and decisions are influenced by the environment in which it operates.

Systems thinking uses this open-system view to help managers recognize interdependencies, adapt to change, and use feedback to improve outcomes. The concept is foundational to management theory because businesses must continually obtain resources, serve external stakeholders, and adjust to environmental changes. See the systems-theory overview from Encyclopaedia Britannica and OpenStax's discussion of organizations and their external environments in Principles of Management.

QUESTION NO: 15

A method used to forecast the supply of people for certain positions is called:

A. Succession analysis

B. Placement analysis

C. Replacement analysis

D. Affecting workforce

ANSWER: A

Explanation:

Succession analysis is the correct term because it evaluates the organization's internal talent pipeline for identified roles, particularly roles that are important to operational continuity or future strategy. It examines current employees' readiness, potential, development needs, and likely availability to move into specific positions when openings arise. This makes it a supply-forecasting technique: rather than merely counting employees, the organization estimates whether suitably capable people will be available for particular jobs at the required time. The results enable managers to identify gaps early and create targeted development, mentoring, experience, and knowledge-transfer plans so potential successors can become ready when needed. Effective succession analysis is therefore linked directly to workforce planning, because it converts information about employees' capabilities and career movement into a practical view of future internal staffing supply. The CIPD describes succession planning as identifying and developing people who can fill key roles, while the U.S. Office of Personnel Management identifies succession planning as a structured approach to ensuring continuity in critical positions. See the CIPD succession planning factsheet and the U.S. Office of Personnel Management human-capital reference materials.

QUESTION NO: 16

The final activities and steps needs to place merchandise made elsewhere into the hands of the consumer or to provide services to the customer is called retaining.

A. True

B. False

ANSWER: B

Explanation:

False is correct because the described set of final activities is called *retailing*, not retaining. Retailing encompasses the business activities involved in selling goods and services directly to the final consumer for personal, nonbusiness use. It is the last stage in the distribution process: a retailer makes merchandise produced or supplied elsewhere available to customers through channels such as stores, websites, marketplaces, or other direct customer-facing service formats. Retailing also includes providing customer service and facilitating the customer's purchase experience.

The wording in the question closely reflects the standard marketing definition of retailing: all activities involved in selling products or services to final consumers. The term "retaining" has a different business meaning, generally relating to keeping customers, employees, records, or legal counsel; it does not name the distribution activity that brings merchandise or services to consumers. Therefore, identifying the statement as false correctly recognizes that the intended term is retailing. See the OpenStax discussion of retailing's role in marketing channels and the Encyclopaedia Britannica definition of retailing.

QUESTION NO: 17

In _____________ leadership, the leader consults with his or her subordinates about decisions.

A. Supportive leadership

B. Directive leadership

C. Participative leadership

D. Achievement-oriented leadership

ANSWER: C

Explanation:

Participative leadership is correct because it describes a leader who actively seeks input from subordinates and consults them before making decisions. In the path-goal theory of leadership, participative behavior includes sharing relevant information, inviting suggestions, considering employees' ideas, and incorporating their perspectives into decision-making where appropriate. This approach can improve the quality and acceptance of decisions because employees closest to the work often have useful operational knowledge. It can also strengthen commitment, motivation, and trust by giving team members a meaningful voice in matters that affect their work. The leader still retains responsibility for the final decision, but consultation makes the process collaborative rather than purely top-down. This leadership behavior is especially valuable when subordinates are knowledgeable, when decisions benefit from diverse perspectives, or when acceptance and implementation by the team are important. The concept is consistent with the participative leadership style described in path-goal leadership theory. See OpenStax, Path-Goal Theory and Leadership Theory and Practice: Path-Goal Theory.

QUESTION NO: 18

A field that focus on the total organization rather than the individual worker, delineating the management functions of planning, organizing, commanding, coordinating, and controlling is known as:

A. Unity of command

B. Administrative management theory

C. Managerial fist

D. Decision-making process

ANSWER: B

Explanation:

Administrative management theory is correct because it examines management at the level of the entire organization and identifies the core work performed by managers. Henri Fayol, a foundational contributor to this approach, described management as comprising planning, organizing, commanding, coordinating, and controlling. These functions provide a structured view of how managers establish objectives, arrange resources and responsibilities, direct people's work, align organizational activities, and monitor results.

This organization-wide perspective is the defining feature of administrative management. It is concerned with principles and functions that help leaders design and operate an effective enterprise, rather than concentrating primarily on the efficiency of an individual employee's task. Fayol's work also introduced widely used management principles and remains influential in modern management education because the functions provide a practical framework for managerial responsibilities at different levels. The terminology in the question closely reflects Fayol's formulation of the five elements of management. See Encyclopaedia Britannica's profile of Henri Fayol and OpenStax: The Role of Management.

QUESTION NO: 19

A network of organizations that creates time, place, and possession utilities for consumers and business users is known as:

A. Marketing channel

B. Volkswagen strategy

C. Federal Express channel

D. Inventory level strategy

ANSWER: A

Explanation:

The correct answer is **Marketing channel**. A marketing channel, also called a distribution channel, is the network of interdependent organizations involved in making a product or service available for use or consumption. It links producers to organizational and final consumers through participants such as wholesalers, retailers, distributors, agents, logistics providers, and digital intermediaries. By moving and storing goods so they are available when needed, channel activities create *time utility*. By making offerings available where customers need or prefer to obtain them, they create *place utility*. Channel members also support *possession utility* by enabling transfer of ownership or the right to use a product, often through selling, financing, ordering, delivery, and payment arrangements. These utilities are central to the purpose of distribution within the broader marketing system: products must not only be designed and priced effectively, but also made accessible to the intended market. The American Marketing Association's marketing definitions and resources describe marketing as creating, communicating, delivering, and exchanging offerings that have value, while distribution-channel education explains the channel's role in connecting producers and users. See the American Marketing Association definition of marketing and OpenStax discussion of marketing channels.

QUESTION NO: 20

A line graph in which data are plotted over time is known as:

A. run chart

B. flowchart

C. streamline chart

D. horizontal chart

ANSWER: A

Explanation:

A **run chart** is a line graph that displays observations in the order in which they occur, most commonly across time. It is used in business and process improvement to make variation visible, identify trends or shifts in performance, and assess whether a change appears to be producing improvement. The horizontal axis represents time or another meaningful sequence, while the vertical axis shows the measure being monitored, such as cycle time, defects, sales, cost, or customer-service results. A centreline, often the median, may be added to support interpretation of patterns in the data.

Run charts are particularly useful because they retain the time sequence that can be hidden by summary statistics. Teams can therefore see whether results are stable, whether performance is improving or deteriorating, and whether unusual non-random patterns may warrant further investigation. The Institute for Healthcare Improvement describes a run chart as a line graph of data plotted over time and provides guidance on its use in improvement work. More detail is available from the Institute for Healthcare Improvement's run-chart guidance and the American Society for Quality's run-chart resource.

QUESTION NO: 21

A comparison of the number of applicants at one stage of the recruiting process to the number at the next stage is called:

A. Labor ratios

B. Surrender ratios

C. Yield ratios

D. Revenue ratios

ANSWER: C

Explanation:

Yield ratios are the correct term for comparing the number of candidates who progress from one recruiting stage to the number who entered the preceding stage. For example, if 100 applicants are screened and 25 are invited to interview, the yield ratio from screening to interview is 25%. These ratios quantify how effectively the organization's selection process moves candidates through each point in the recruiting funnel.

Recruiters and business managers use yield ratios to forecast the volume of candidates needed at the top of the funnel to produce a required number of hires. By applying historical stage-to-stage yields—for example, application to interview, interview to offer, and offer to acceptance—the organization can estimate how many applicants must be sourced to meet staffing requirements. Yield-ratio analysis also supports monitoring of recruiting efficiency and helps identify stages where candidate flow needs attention. The U.S. Office of Personnel Management describes yield ratios as measures of the proportion of applicants progressing through successive stages of a staffing process; see its strategic recruitment and hiring guidance. Related workforce-planning concepts are also covered by the SHRM Talent Acquisition toolkit.

QUESTION NO: 22

What the simplest from the administrative point is of view because it emphasizes the basic tasks of the firm?

A. Customer structure

B. Organizational structure

C. Functional structure

D. Statistical structure

ANSWER: C

Explanation:

Functional structure is correct because it organizes a business around its fundamental activities and areas of expertise, such as operations, marketing, finance, human resources, and sales. From an administrative perspective, this is generally the simplest organizational approach because each function has clear responsibility for a defined set of recurring tasks. Managers can establish specialized procedures, assign employees according to their professional skills, and supervise performance within a well-defined functional area. This arrangement supports efficient use of expertise and makes it easier to coordinate routine work, establish accountability, and maintain consistent standards for core business processes. As a firm grows beyond a very small enterprise, grouping work by function is a common foundational design because it directly reflects the basic tasks required to operate the organization. The U.S. Small Business Administration discusses organizing business operations and responsibilities as a central management activity: https://www.sba.gov/business-guide/manage-your-business. For further background on how organizational structures group people and activities to achieve organizational goals, see OpenStax's management material: https://openstax.org/books/principles-management/pages/7-3-organizational-structures.

QUESTION NO: 23

What pertains to the availability, production, and distribution of resources in a society?

A. Social forces

B. Political forces

C. Economic forces

D. Cost-effective forces

ANSWER: C

Explanation:

Economic forces is correct because economics concerns how a society allocates scarce resources: how goods and services are produced, distributed, and made available for consumption. In a business environment, economic forces include factors such as resource availability, supply and demand, income levels, inflation, interest rates, employment, and overall economic growth. These conditions influence what organizations can obtain, the costs of producing their offerings, how products reach customers, and customers' ability and willingness to buy them.

The wording in the question closely reflects the standard definition of economics as the study of how people and societies use limited resources to produce, distribute, and consume goods and services. Managers assess economic forces when making planning and operational decisions because changes in resource supply, market conditions, or purchasing power can materially affect business performance. For example, a shortage of an essential input can raise production costs and constrain distribution, while stronger household income can increase demand. The International Monetary Fund's overview of economics describes the field's focus on scarce resources and their use. The Encyclopaedia Britannica definition of economics likewise identifies the production, distribution, and consumption of goods and services as its central subject.

QUESTION NO: 24

A legal obligation of directors and officers to act honestly, in good faith, and in the best interests of the organization is known as:

A. Fiduciary duty

B. Dividend policy

C. Operational control

D. Working capital policy

ANSWER: A

Explanation:

Fiduciary duty is correct because directors and officers are entrusted with authority over organizational resources and decisions and must exercise that authority loyally, carefully, and in the best interests of the organization. This duty includes avoiding conflicts of interest, acting with appropriate care, and not using the position for improper personal benefit.

Fiduciary duties are central to sound corporate governance because they establish accountability for those who direct and oversee an organization. The OECD principles emphasize the board's responsibility for strategic guidance, effective oversight, and accountability. See the G20/OECD Principles of Corporate Governance.

QUESTION NO: 25

What is organized and consistent, and can be understood by and deployed across all those involved in new product development (NPD) projects at a firm?

A. Product prototype

B. Stage-Gate process

C. Advantaged products strategy

D. Position proportion process

ANSWER: B

Explanation:

The **Stage-Gate process** is an organized, consistent framework for managing new product development across a firm. It divides NPD into defined stages of work, such as discovery, business-case development, development, testing and validation, and launch. Between these stages are gates: formal decision points at which an authorized cross-functional group evaluates the available evidence, confirms that required deliverables have been completed, and determines whether the initiative should proceed, be revised, paused, or stopped.

Because the process specifies common activities, deliverables, decision criteria, roles, and governance expectations, it gives employees from functions such as product management, engineering, marketing, operations, finance, and sales a shared way to understand and execute NPD projects. This repeatability makes the process deployable across multiple projects and teams while still allowing the depth of work to be scaled to the project's risk and complexity. The Stage-Gate model is widely recognized as a structured approach to improving visibility, coordination, resource decisions, and execution discipline in innovation portfolios. See the Stage-Gate International overview and the Product Development and Management Association NPD glossary.

QUESTION NO: 26

What requires customers to send their payments to a post office box located in the are near where they live rather than directly to the firm is called:

A. bolt-box system

B. padlock system

C. lockbox arrangement

D. intertwine arrangement

ANSWER: C

Explanation:

A lockbox arrangement is a cash-management collection method in which a business instructs customers to mail payments to designated post-office boxes, usually selected to be geographically convenient for customer groups. A bank collects the mail from each lockbox, processes the remittances, and credits the funds to the company's account. Locating boxes near customers reduces postal transit time; using the bank for collection and processing can also shorten the time before deposited funds become available. The primary business purpose is therefore to accelerate cash collections and reduce collection float, improving the firm's control and availability of working capital.

This arrangement is particularly useful for organizations that receive a large volume of mailed customer payments across broad geographic areas. The company establishes the bank service and provides customers with the applicable remittance address, while the bank supplies reporting and deposit information. The Federal Reserve's payments resources describe the operational role of banks and payment-collection systems in moving funds, and Treasury management references commonly identify lockboxes as a receivables-collection technique. See the Federal Reserve Financial Services lockbox overview and Investopedia's definition of a lockbox.

QUESTION NO: 27

Shiba quality model focus on which level of quality?

A. Fitness to standard

B. Fitness to needs

C. Fitness of costs

D. All of the above

ANSWER: D

Explanation:

All of the above is correct because Shiba's quality model treats quality as an evolving, multi-level management concept rather than as a single fixed measure. It includes fitness to standard, meaning that outputs reliably conform to defined specifications and requirements. It also includes fitness to needs, which centers quality on the customer's actual use, expectations, and satisfaction. In addition, fitness of costs recognizes that quality must be achieved with an economically sound balance of value, cost, and efficiency.

This progression is important in business management because an organization can meet a technical standard yet still fail to provide sufficient customer value or deliver the product and service at a sustainable cost. Shiba's approach therefore supports a broader quality-management perspective: operational consistency, customer-centered value, and cost-conscious performance must be managed together. The model is associated with the practical quality-management revolutions described by Shiba, Graham, and Walden, which emphasize moving beyond inspection and conformance toward customer value and organizational improvement. See WorldCat's record for *A New American TQM* and the ASQ Quality Glossary for quality-management terminology and context.

QUESTION NO: 28

Power that results from characteristics that command subordinates' identification with, respect and admiration for, and desire to emulate the leader is called:

A. Personal power

B. Expert power

C. Referent power

D. Autocratic power

ANSWER: C

Explanation:

Referent power is the correct term for influence that arises because followers identify with a leader, respect and admire that person, and want to emulate their behavior or qualities. It is rooted in the leader's personal appeal, credibility, role-model status, and the positive relationship followers feel toward them. This form of power does not primarily depend on a formal job title, the ability to reward or punish, or specialized technical knowledge. Instead, people willingly accept the leader's influence because they value their association with the leader and aspire to be like them.

This definition follows the classic bases-of-power framework developed by French and Raven, in which referent power reflects identification with and attraction to the power holder. In a business-management setting, leaders build referent power through consistent ethical conduct, trustworthiness, empathy, confidence, and behavior that visibly aligns with organizational values. It can be especially valuable for motivating commitment and encouraging discretionary effort because employees respond from genuine respect rather than mere compliance. See the overview of social power in Encyclopaedia Britannica and the foundational publication record, French and Raven's The Bases of Social Power.

QUESTION NO: 29

What assess effectiveness by observing the beginning of the process and evaluating whether the organization effectively obtains means necessary for high performance?

A. Goal approach

B. Internal process approach

C. Resource-based approach

D. Stakeholder approach

ANSWER: C

Explanation:

The resource-based approach is correct because it evaluates organizational effectiveness at the input stage of the transformation process. Its central question is whether the organization can successfully acquire, deploy, and sustain the resources required to perform well. These resources can include capable employees, funding, technology, information, facilities, supplier access, and managerial expertise. An organization that consistently secures scarce or valuable inputs and uses them productively is better positioned to achieve strong performance over time.

This perspective is especially useful when final outcomes are delayed, difficult to measure, or influenced by external conditions. Rather than waiting only for end results, managers can assess whether the organization has the capability and resource base needed to deliver those results. The approach also aligns with strategic-management thinking: resources and capabilities that are valuable and difficult for competitors to replicate can support sustained advantage. For further context on the resource-based view and the role of strategic resources, see Encyclopaedia Britannica's resource-based view overview and Harvard Business School's discussion of resources and capabilities.

QUESTION NO: 30

Which of the following is NOT the management and planning tool?

A. Affinity diagrams

B. Tree diagrams

C. Process decision program charts

D. Product manufacturing flow charts

ANSWER: D

Explanation:

Product manufacturing flow charts is the correct choice because it is not one of the Seven Management and Planning Tools, also called the seven new quality tools. These tools support management teams in organizing complex qualitative information, developing plans, identifying relationships, anticipating contingencies, and selecting implementation paths. The recognized set includes tools such as affinity diagrams, tree diagrams, process decision program charts, interrelationship diagrams, matrix diagrams, prioritization matrices, and activity network diagrams.

A product manufacturing flow chart is instead a process-mapping document. It visually represents the sequence of production activities, material movement, inspections, decisions, and handoffs used to make a product. This can be highly valuable for operational analysis, standard work, quality control, and improvement initiatives, but its primary purpose is documenting and understanding a manufacturing process rather than serving as a member of the formal management-and-planning-tool set. The American Society for Quality describes the Seven Management and Planning Tools and their role in planning and problem solving: ASQ: Seven Management and Planning Tools. For process-flow-chart context, see ASQ: Flowchart.

QUESTION NO: 31

What is a measure of operating cash flow available for corporate purposes after providing sufficient fixed asset additions to maintain current productive capacity and dividends?

A. Venture cash flow

B. Free cash flow

C. Rigid cash flow

D. Permanent cash flow

ANSWER: B

Explanation:

Free cash flow is the appropriate measure because it represents the cash generated by operations that remains after the business has funded the capital expenditures necessary to sustain its productive capacity and met dividend commitments. This residual cash is available for discretionary corporate purposes, such as reducing debt, repurchasing shares, making acquisitions, investing in growth initiatives, or retaining liquidity for future needs. It is especially useful in corporate financial analysis because accounting profit does not necessarily show how much cash the organization can actually deploy. Free cash flow instead emphasizes cash generated by the core business and adjusts for the ongoing investment required to keep assets operational. In this wording, the inclusion of both maintenance fixed-asset additions and dividends is central: the measure is intended to show the cash left after these essential or committed uses have been provided for. Analysts, lenders, investors, and managers use free-cash-flow measures to assess financial flexibility, debt-servicing capacity, and the organization’s ability to fund strategic choices without relying on external financing. For further background, see the NYU Stern explanation of free cash flow and the CFA Institute resource on free-cash-flow valuation.

QUESTION NO: 32

An approach for mistake-proofing processes using automatic devices or methods to avoid simple human or machine error is called:

A. Xeron-savvy

B. Alex-degrade

C. Poka-yoke

D. Zulex-crew

ANSWER: C

Explanation:

Poka-yoke is the established Lean and quality-management term for mistake-proofing: designing a process, device, fixture, signal, or control so that an error is prevented, immediately detected, or cannot proceed to create a defect. The concept is associated with Shigeo Shingo and emphasizes improving the process rather than relying solely on an individual's attention, memory, or inspection after the fact. In practice, poka-yoke can include a connector that fits only in the correct orientation, a required-field validation that prevents incomplete form submission, a sensor that confirms a part is present before a machine cycle begins, or an alert that identifies an abnormal condition at the point where it occurs. These controls reduce variation and rework by making correct execution easier and making simple errors difficult or impossible to overlook. The wording in the question—using automatic devices or methods to avoid human or machine error—directly describes the purpose of poka-yoke in continuous-improvement systems. The American Society for Quality defines poka-yoke as mistake-proofing that helps prevent defects, while Lean Enterprise Institute materials describe its role in preventing errors from becoming defects. See ASQ: Poka-Yoke and Lean Enterprise Institute: Poka-Yoke.

QUESTION NO: 33

Cash balances associated with routine payments and collections are known as:

A. Compensating balances

B. precautionary balances

C. Transaction balances

D. None of the above

ANSWER: C

Explanation:

Transaction balances are the cash holdings a business maintains to support its normal, day-to-day operating cash flows. These balances enable the organization to make routine payments—such as payroll, supplier invoices, taxes, and operating expenses—and to receive and process customer collections as they arise. In cash-management practice, the transaction motive for holding cash exists because cash inflows and outflows are not perfectly synchronized in either amount or timing. Maintaining an appropriate transaction balance allows the business to meet obligations when due without having to sell marketable securities or obtain short-term financing for every ordinary payment need.

This classification is a core element of working-capital and treasury management. Management forecasts expected receipts and disbursements, then retains sufficient immediately available cash to cover the operational gap between them. The required level will vary with the predictability, volume, timing, and volatility of the company's routine cash flows. For background on managing operating cash flows and liquidity, see the CFA Institute's working-capital management refresher and the Investopedia overview of transaction demand for money.

QUESTION NO: 34

The dimensions of variety and analyzability form the basis for which of the following categories of technology?

A. routine, technique, engineering, and non-routine

B. routine, craft, engineering, and non-routine

C. standard, craft, production, and non-routine

D. custom, craft, production, and non- schedule

ANSWER: B

Explanation:

The correct categorization is **routine, craft, engineering, and non-routine**. This is Perrow's technology framework, which classifies organizational work according to two task characteristics: the number and frequency of exceptions encountered in the work (variety) and the extent to which known, logical procedures can be used to resolve those exceptions (analyzability). Combining low or high variety with high or low analyzability produces four distinct technology types. Routine technology involves relatively few exceptions and well-defined procedures, whereas craft technology relies more heavily on experience and judgment when procedures are less analyzable. Engineering technology addresses many exceptions through systematic, analyzable knowledge, and non-routine technology involves high variety with problems that cannot be resolved reliably through established procedures. The framework is useful to business managers because the nature of the work affects appropriate organizational design, communication patterns, coordination, and decision-making arrangements. It provides a structured way to assess how predictable a unit's tasks are and how readily personnel can apply formal methods to solve work problems. Perrow introduced this comparative approach to understanding organizational technologies in "A Framework for the Comparative Analysis of Organizations".

QUESTION NO: 35

What is the formal process of obtaining, recording, and evaluating objective evidence to determine whether specified requirements have been fulfilled?

A. Benchmarking

B. Audit

C. Inspection

D. Calibration

ANSWER: B

Explanation:

An **audit** is correct because an audit is a systematic, independent, and documented process for obtaining objective evidence and evaluating it against defined audit criteria. In a business-management or quality-management system, audits help determine whether policies, procedures, controls, and processes conform to applicable requirements.

Audits may be internal, conducted by the organization itself, or external, conducted by customers, certification bodies, or other independent parties. They provide information for corrective action, management review, risk management, and continual improvement. See ISO 19011 Guidelines for Auditing Management Systems.

QUESTION NO: 36

Who was the first PC manufacturer to use the Web to take customer orders?

A. Dell

B. Sony

C. Toshiba

D. Compaq

ANSWER: A

Explanation:

Dell is the correct answer. Dell is widely recognized as an early and influential adopter of the web for direct customer sales, using its online channel to let customers configure and order personal computers directly. This approach extended Dell's established direct-sales model: rather than relying principally on retail intermediaries, the company could connect with customers, capture detailed order requirements, build systems to specification, and communicate order information efficiently. Dell began taking orders through its website in 1996, and its rapid growth in online sales became a prominent business-case example of how the internet could transform customer access, supply-chain coordination, and made-to-order manufacturing in the PC industry. The web channel supported Dell's broader business model by enabling customers to select components and receive current product and pricing information while allowing the company to operate with demand-driven production and relatively low inventory. Dell's online ordering success was frequently cited in business and e-commerce literature as a landmark application of internet-enabled direct selling. Dell's corporate history describes the launch of Dell.com in 1996 and its role in online sales, while the U.S. Securities and Exchange Commission's historical filings provide contemporaneous company reporting on its direct business and internet-commerce activities. See Dell Technologies company history and Dell SEC filings.

QUESTION NO: 37

Which element id needed for the establishment of a field warehouse?

A. public notification

B. physical control of the inventory

C. supervision by a custodian of the field warehousing concern

D. All of the above

ANSWER: D

Explanation:

All of the above is correct because a valid field-warehousing arrangement depends on the warehouse operator having a real, visible, and independently administered custodial role over the goods. Public notification, commonly implemented through conspicuous signs and other notice identifying the warehouse operator and the warehoused area, helps establish that the inventory is being held by a warehouse rather than simply remaining in the borrower's unrestricted possession. Physical control of the inventory is equally central: the warehouse operation must control access to the segregated goods and maintain custody procedures sufficient to support issuance of warehouse receipts. Day-to-day supervision by a custodian employed by, or acting for, the field-warehousing concern provides the operational independence needed to maintain records, control releases, and verify inventory. Together, these elements demonstrate the transfer of possession and control on which warehouse-receipt financing relies. Article 7 of the Uniform Commercial Code supplies the legal framework for warehouse receipts and warehouse operations; see Cornell Law School's UCC Article 7 text. For the secured-lending context in which possession and control affect collateral rights, see Cornell Law School's UCC Article 9 text.

QUESTION NO: 38

Strategy of pricing the new product at a relatively high level and then gradually reducing it over time is known as:

A. Product skimming

B. Consumer skimming

C. Floating Market concept

D. Market skimming

ANSWER: D

Explanation:

The correct term is **Market skimming**, also called price skimming. This new-product pricing strategy starts with a relatively high initial price and reduces the price gradually over time. The approach is designed to capture revenue from customer segments that place a high value on being early adopters, having immediate access, or obtaining a differentiated product before it becomes broadly accessible. As the market develops, lowering the price can make the offering attractive to additional, more price-sensitive customer segments.

Market skimming is most appropriate when a product has distinctive value, demand from early buyers is relatively insensitive to price, and the organization can adjust prices as competition and market adoption evolve. It allows a business to recover development, launch, and innovation costs earlier in the product life cycle while using later price reductions to expand market reach. This is a recognized new-product pricing approach in mainstream marketing practice. For further discussion, see OpenStax, Pricing Strategies and Tactics and Encyclopaedia Britannica, Price Skimming.