

SIR ARTHUR LEWIS COMMUNITY COLLEGE

DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES

COVER SHEET FOR EXAMINATION

#M16

Examination Session : May 2001 Final Examination  
Tutor(s) : Mr F Ephraim  
Programme Title(s) : Business Studies  
Programme Code(s) : 316  
Course Title : Small Business Management  
Course Code : SBM321  
Class(es) : Year Two  
Date : Wednesday May 9, 2001  
Duration : 2 Hours  
Commencement Time : 9.00 am  
Invigilator(s) : F Ephraim  
ROOM :



INSTRUCTIONS

**SECTION A - MULTIPLE CHOICE**

Respond by circling one of the letter a, b, c or d which correctly answers the question. (One mark each)

**SECTION B - TRUE OR FALSE**

Respond by writing the word True or False in the space provided to correctly answer each question. (One mark each)

**SECTION C - MATCHING**

Respond by matching the terms with their definitions by writing the letter on the appropriate line (One mark each)

**SECTION D - SHORT ANSWER QUESTIONS (Twenty Five marks)**

Answer ALL Questions.

## SECTION A

Respond by circling one of the letter a, b, c or d which correctly answers the question. (One mark each)

1. **Management:**
  - a) May be defined as the skillful combining of people, materials and machines to achieve organizational objectives
  - b) involves goal setting, policy making, and planning
  - c) is the single most important determinant of a firm's success
  - d) all of the above
  
2. The management function that involves defining courses of action to achieve objectives is called:
  - a) Policy making
  - b) planning
  - c) organizing
  - d) controlling
  
3. For a product like bread, which of the following is most important in selecting a plant location?
  - a) nearness to raw material
  - b) availability of skilled labour
  - c) climate
  - d) nearness to market
  
- 4) **Authority:**
  - a) is the same as responsibility and power
  - b) means being held accountable for accomplishing certain tasks
  - c) involves the right to make decisions and direct others
  - d) all of the above
  
- 5) **Most business failures can be traced to:**
  - a) fraud
  - b) neglect
  - c) inadequate credit
  - d) poor management
  
- 6) **In the conduct of business, if internal controls are weak, the usual consequence are:**
  - i) waste
  - ii) fraud
  - iii) inefficiency
  - iv) unprofitable operations
  - a) i and ii only are correct
  - b) i, ii, and iv are correct
  - c) i, iii and iv are correct
  - d) i, ii, iii and iv are correct
  
- 7) **A business organised as a separate legal entity with ownership divided into transferable shares of capital stock is called a:**
  - a) sole trader
  - b) partnershin
  - c) corporation
  - d) co-onerative

- 8) Responsibility is:
- a) the same as authority
  - b) the power to make decisions
  - c) being held accountable for accomplishing assigned tasks
  - d) all of the above
- 9) Managers who have no order-giving authority but specialize in problem solving, planning, and providing assistance are known as:
- a) line managers
  - b) staff managers
  - c) command advisers
  - d) none of the above
- 10) Span of control refers to the:
- a) the amount of authority given an individual
  - b) number of subordinates reporting to one supervisor
  - c) amount of responsibility given an individual
  - d) none of these
- 11) Which of the following is NOT a factor of production?
- a) entrepreneur
  - b) capital
  - c) corporation
  - d) labour
- 12) An attempt to apply systematic methods to an increasingly complex problem surrounding the control of work within organisations is referred to as:
- a) classical theory
  - b) scientific management
  - c) organisational behaviour
  - d) complex theory
- 13) Which form of business offers its owner(s) limited liability in St. Lucia?
- a) private company
  - b) Proprietorship
  - c) general partnerships
  - d) public corporation
- 14) An important management function is:
- a) setting objectives
  - b) demanding authority
  - c) serving on committees
  - d) universality of management
- 15) Successful leadership requires behaviour that unites and stimulates followers towards defined objectives in specific situations. This implies that successful leadership depends on:
- a) personal traits skills
  - b) individual acts skills
  - c) management skills
  - d) directing skills

- 16) Goal setting is a necessary part of leadership. The goal setting process requires:
- i) goal definition
  - ii) setting specific goals
  - iii) feedback about goal accomplishment
  - iv) role modeling
- a) i and ii only are correct
  - b) ii, iii only are correct
  - c) ii, iii and iv are correct
  - d) i, ii and iii are all correct
- 17) A well prepared business plan should include, among other things:
- i) a general description of the product and the product market
  - ii) an explanation of the resources required
  - iii) an explanation of available resources
  - iv) a promotional strategy appropriate to the product
  - v) a distribution and pricing policy acceptable for the product
- a) i, ii and iii only are correct
  - b) ii, iii and iv only are correct
  - c) i, ii, iv and v are all correct
  - d) i, ii, iii, iv and v are all correct
18. Which of the following is typically found in mass production plants?
- a) line layout
  - b) specialization of labour
  - c) special purpose equipment
  - d) all of the above
19. If the ABC Company has a breakeven point of 10,000 units, a selling price of \$100 and variable costs per unit of \$75, how much profit will it earn if it produces 12,000 units?
- a) \$50,000
  - b) \$25,000
  - c) \$15,000
  - d) \$2,000
20. Employee morale:
- a) influences productivity
  - b) affects labour turnover
  - c) is related to the rate of absenteeism
  - d) all of the above

## SECTION B

Respond by writing the word True or False in the space provided to correctly answer each question.  
(One mark each)

## TRUE OR FALSE

1.     \_\_\_\_\_     The line and staff organization places all authority in the hands of staff specialist.
2.     \_\_\_\_\_     A good organizational structure, once developed, should serve forever.
3.     \_\_\_\_\_     A key disadvantage of the proprietorship is divided authority.
4.     \_\_\_\_\_     In a limited liability partnership all partners have limited liability.
5.     \_\_\_\_\_     To be legal a partnership must have a written agreement.
6.     \_\_\_\_\_     Business forecasting is an exact science which can eliminate uncertainty about the future.
7.     \_\_\_\_\_     In the line organization, each person has more than one boss.
8.     \_\_\_\_\_     The major disadvantage of the functional organization is the absence of unity of command.
9.     \_\_\_\_\_     effective managers develop policies to cover every possible situation.
10.    \_\_\_\_\_     The most important function of management is setting objectives

## SECTION C

Respond by matching the terms with their definitions by writing the letter on the appropriate line  
(One mark each)

- |                      |                                     |
|----------------------|-------------------------------------|
| a) Span of control   | i) Line-and-staff organization      |
| b) Line organization | j) Unity of command                 |
| c) Objectives        | k) Responsibility                   |
| d) Planning          | l) Management by objectives         |
| e) Authority         | m) Matrix management                |
| f) Management        | n) Functional or staff organization |
| g) Policy            | o) Directing                        |
| h) Organizing        | p) Coordination                     |

- |       |     |  |
|-------|-----|--|
| _____ | 1.  | A general rule that guides an organization in achieving its objectives.  |
| _____ | 2.  | A type of organization commonly used by small business firms.  |
| _____ | 3.  | Deciding what should be done, how and when it should be done, and who should be responsible for it.                  |
| _____ | 4.  | The number of subordinates reporting to one supervisor or manager.   |
| _____ | 5.  | An organization consisting of managers assisted by specialists who provide advice and support.                       |
| _____ | 6.  | Being held answerable for the accomplishment of assigned tasks.  |
| _____ | 7.  | An employee should have only one boss.   |
| _____ | 8.  | Goals that provide direction for an organization.  |
| _____ | 9.  | The process of accomplishing objectives by working through others.   |
| _____ | 10. | A formal process for establishing organizational objectives and evaluating performance in terms of these objectives. |

## SECTION D

**ANSWER ALL QUESTIONS IN THIS SECTION.**

1. If a company regularly earns an annual profit of \$45,000 after the owners' salary and interest on the investment have been deducted, and the rate of capitalization (the CAP rate) is 15 per cent, then:
  - (a) what is the value of the value of the business? (3 marks)
  - (b) comment briefly on the effect of the capitalization rate on firms that are less risky. (3 marks)
  
2. Draw a line-and-staff organizational chart showing the following positions. Production Supervisors, Vice President for Marketing, Board of Directors, Personnel Department (Staff), Chief Accountant, Director of advertising, Vice President for Finance, District Sales Managers, President, Legal Department (Staff) and Vice President for Production. (10 Marks).
  
3. The Stark Manufacturing Company has fixed costs of \$160,000 per month and variable costs of \$12 per unit.
  - a. What is the firm's break-even point if the selling price per unit is \$16? (3 marks)
  - b. How much profit will the firm earn if it sells 55,000 units? (3 marks)
  - c. Draw a break-even chart for the Stark Manufacturing Company. (3 marks)