

## **Business Administration Comprehensive Exam Summary:**

### *Doctoral Level*

Peregrine Academic Services (PAS) provides assessment services for performing direct assessment of learning outcomes in a range of academic disciplines. The online exams are used to evaluate retained student knowledge in relation to the academic program's learning outcomes.

**This document outlines the Business Administration assessment service for the doctoral academic degree level.**

The assessment service is designed for use by US-based schools and programs.

PAS places a high priority on ensuring the validity and reliability of the assessment services. These practices begin at the design stage and continue through beta-testing, and with ongoing regularly scheduled quality reviews. A description of the approach used to ensure ongoing validity and reliability is provided at the end of this document.

The academic program manager selects topics that align with their learning outcomes and the program curriculum (usually 6-10 topics per exam).

The exams include 10 questions for each topic and each exam is unique as questions are selected at random from the test bank with 50-200 questions per topic.

This document provides information on:

- Topics and sub-topics where applicable, and the subjects covered within each topic or sub-topic.
- Example questions.
- Assessment Service Validity and Reliability.

The Topics and Sub-Topics are:

1. Accounting
2. Business Ethics
3. Business Finance
4. Business Integration and Strategic Management
5. Business Leadership
6. Economics
  - a. Macroeconomics
  - b. Microeconomics
7. Global Dimensions of Business
8. Information Management Systems
9. Legal Environment of Business
10. Management
  - a. Human Resource Management
  - b. Operations/Production Management
  - c. Organizational Behavior
11. Marketing
12. Quantitative Research Techniques/Statistics

## **Topic: Accounting**

### **Subjects**

- Account Postings
- Account Types
- Accounting Methods
- Accounting Principles
- Assets and Liabilities
- Balance Sheets
- Cash, Debit, and Equity
- Debits and Credits
- Financial Control and Regulation

### **Example Questions**

A firm that is on the verge of bankruptcy may be able to issue bonds, but \_\_\_\_\_.

- A. no one will buy them
- B. they will have to offer a higher interest rate to do so
- C. they will have to pay the same interest rate as other firms
- D. it will cause them to enter bankruptcy

**Correct Response: B**

A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to \_\_\_\_\_.

- A. decreases assets and liabilities
- B. increases assets and stockholder's equity
- C. decreases assets and stockholder's equity
- D. increases liabilities and decreases capital

**Correct Response: C**

## **Topic: Business Ethics**

### **Subjects**

- Corporate Social Responsibility
- Ethical Decision-Making
- Ethical Norms and Practices
- Global Business Ethics and Ethical Considerations
- Regulation and Ethics
- Workplace Ethical Issues

### **Example Questions**

Identify the practice that is not a criticism of the World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank (WB), that are often accused of helping only the rich and harming the poor.

- A. These institutions demand that developing economies remove tariffs in their economies while tolerating protectionist tariffs in the developed economies.
- B. Loss of tariffs within poor countries makes them vulnerable to the economic power of the industrialized countries and international corporations.
- C. Every year the World Bank lends significant amounts to developing countries as part of an effort to reduce poverty in developing countries.
- D. Continued subsidies within developed countries that protect domestic industries prevent poorer countries from doing business with wealthier populations.

**Correct Response: C**

The relationship between corporate social performance and financial performance is viewed from three different perspectives. The symbiotic view \_\_\_\_\_.

- A. states that financial performance determines social performance
- B. high social performance leads to improved financial performance
- C. states that there is an interactive relationship among social performance, financial performance, and corporate reputation
- D. is synonymous with the contingency view of Husted

**Correct Response: C**

## **Topic: Business Finance**

### **Subjects**

- Assets, Cash Flows, and Budgets
- Balance Sheets and Financial Statements
- Corporate Earnings, Stocks, and Bonds
- Corporate Financial Structures
- Debt, Equity, and Depreciation
- Financial Ratios and Financial Analysis
- Financing, Forecasting, and Financial Planning

### **Example Questions**

Which one of the following is a legitimate reason why firm value maximization is preferred to profit maximization as the ideal goal for the firm?

- A. Value takes account of both profit and cash flow.
- B. Value or discounted cash flow is less ambiguous than profit.
- C. Value takes account of depreciation.
- D. Profit is too concerned with the longer term.

**Correct Response: B**

The degree of financial leverage for ABC Inc. is 2.5, and the degree of financial leverage for XYZ Corporation is 1.5. According to this information, which firm is considered to have greater financial risk?

- A. ABC Inc.
- B. XYZ Corporation.
- C. The degree of financial leverage is not a measure of financial risk, so it is not possible to tell which firm has the greater financial risk given the above information.
- D. To determine which firm has the greater financial risk, we need to know the operating income (NOI or EBIT) of each firm. XYZ Corporation would have less financial risk if its operating income is at least twice that of ABC Inc.

**Correct Response: A**

## **Topic: Business Integration and Strategic Management**

### **Subjects**

- Corporate-level Strategy
- Diversification Strategies
- Forming Business and Corporate Strategies
- Industry and Business Life Cycles
- Market Development and Penetration
- Mergers and Acquisitions
- Strategic Analysis Techniques

### **Example Questions**

Jim Collins uses the "hedgehog" concept to distinguish great companies from good companies. What does the hedgehog concept mean?

- A. Being best at a particular thing.
- B. Being best at most things.
- C. Being good at a particular thing.
- D. Being good enough at most things.

**Correct Response: A**

The parenting style "financial control" will tend to be most suitable in which type of portfolio?

- A. A broad portfolio of fast-growing businesses.
- B. Stable businesses with low investment needs.
- C. A narrow portfolio of closely related businesses.
- D. A rapidly changing business environment.

**Correct Response: B**

## **Topic: Business Leadership**

### **Subjects**

- Leadership Roles and Responsibilities
- Leadership and Management Defined
- Leadership Theories and Foundational Research
- Mission and Vision Statements

### **Example Questions**

Leadership research indicates that all of the following are traits that have been identified to be consistently associated with leadership except \_\_\_\_\_.

- A. honesty and integrity
- B. self-confidence
- C. ambition and energy
- D. consistent behavior

**Correct Response: D**

What is the social construction of leadership?

- A. The view that all leadership is social and what matters is how leaders interact with others.
- B. Leadership is a made up idea and therefore we should pay more attention to more significant aspects of the organization.
- C. What counts as good leadership is a construction of the perception of the followers.
- D. Leadership is something that the leader constructs as they meet with others.

**Correct Response: C**

## **Topic: Economics**

### **Sub-Topic: Macroeconomics**

#### **Subjects**

- Budget Surplus and Deficit
- Currency and Currency Exchange
- Economic Policy, Control, and Structure
- Exports, Imports, and Trade
- Foreign Investment and International Finances
- Gross and Domestic Product
- Macroeconomic Theory
- Monetary Policy
- Pricing and Price Indexing
- Savings and Debit

#### **Example Questions**

If the U.S. price level is increasing by 3 percent annually and the Swiss price level is increasing by 2 percent annually, by about what percent would the price of Swiss francs in dollars need to change according to purchasing power parity?

- A. Decrease by 5 percent.
- B. Decrease by 1 percent.
- C. Increase by 5 percent.
- D. Increase by 1 percent.

**Correct Response: B**

In the open-economy macroeconomic model, the supply of loanable funds comes from \_\_\_\_.

- A. the sum of domestic investment and net capital outflow
- B. the sum of national savings and net capital outflow
- C. national savings
- D. net exports

**Correct Response: C**

### **Sub-Topic: Microeconomics**

#### **Subjects**

- Buyers and Sellers
- Characterizing Goods and Services
- Consumer Surplus
- Market Analysis
- Microeconomic Theory
- Pricing and Price Controls
- Supply and Demand Theory
- Surplus and Shortage

## Example Questions

Currently you purchase 6 packages of hot dogs a month. You will graduate from college in December, and you will start a new job in January. You have no plans to purchase hot dogs in January. For you, hot dogs are \_\_\_\_\_.

- A. a substitute good
- B. a normal good
- C. an inferior good
- D. a complementary good

**Correct Response: C**

Suppose buyers of computers and printers regard those two goods as complements. Then an increase in the price of computers will cause \_\_\_\_\_.

- A. a decrease in the demand for printers and a decrease in the quantity supplied of printers
- B. a decrease in the supply of printers and a decrease in the quantity demanded of printers
- C. a decrease in the equilibrium price of printers and an increase in the equilibrium quantity of printers
- D. an increase in the equilibrium price of printers and a decrease in the equilibrium quantity of printers

**Correct Response: A**



## **Topic: Global Dimensions of Business**

### **Subjects**

- Global Strategies
- International Cultures
- Multinational Corporations and Enterprises
- The International Marketplace
- Trade and Corporate Regulation
- Workforce Development for Global Enterprises

### **Example Questions**

Which one of the following approaches of Balance Of Payments (BOP) explains the relationship between domestic output and trade balance?

- A. The absorption approach.
- B. The Keynesian approach.
- C. The elasticity approach.
- D. The monetary approach.

**Correct Response: A**

The right to sell a stated number of units of the underlying foreign currency at a specific price per unit during a specific period of time is known as a \_\_\_\_\_.

- A. forward
- B. call option
- C. put option
- D. swap

**Correct Response: C**

## **Topic: Information Management Systems**

### **Subjects**

- Benchmarking and Continuous Improvement
- Strategic Alliances, Mergers, and Acquisitions
- Technology Capability
- Technology Strategy

### **Example Questions**

Cost/benefit analyses are tricky when evaluating the current status of an alliance or acquisition because \_\_\_\_\_.

- A. the interdependence that is built makes it difficult to measure costs and benefits
- B. transfer pricing causes problems in understanding who did what
- C. transaction costs are affected by the agency tendencies of top-level managers
- D. the firms may not care what the partnering firm is doing

**Correct Response: A**

The guiding questions for evaluating the information gathered during an alliance or acquisition blending period include all of the following except:

- A. Does the potential benefit warrant the risk of failure or the cost of management distraction?
- B. Is the integration plan well designed and realistic?
- C. Are top managers establishing a plan and model for long-term success?
- D. In the short run, will employees be compensated for their efforts?

**Correct Response: D**

## **Topic: Legal Environment of Business**

### **Subjects**

- Buying, Selling, and Trade Laws and Obligations
- Contract Law
- Courts and Legal Process
- Legal Precedents
- Tort and Liability
- Workplace Legal Issues and Labor Law

### **Example Questions**

When a person's life, liberty, or property is taken away by the government without giving the person notice of the taking, and the opportunity to have a hearing, there has likely been a violation of the person's rights to \_\_\_\_\_.

- A. equal protection
- B. the inter-state commerce clause
- C. procedural due process
- D. substantive due process

**Correct Response: C**

Business Rental Corporation (BRC) and Cartage Trucking Company enter into a contract for a lease of ten hydraulic lifts. Under the perfect tender rule, BRC must ship or tender goods to the lessee that \_\_\_\_\_.

- A. approximately conform to all of the details of the contract
- B. entirely conform to the contract except in one or two details
- C. exactly conform to the contract in every detail
- D. substantially conform to the contract in most details

**Correct Response: C**

## **Topic: Management**

### **Sub-Topic: Human Resource Management**

#### **Subjects**

- Employee Training and Development
- Human Resource Planning and Strategies
- Human Resource Regulations and Labor Law
- Pay and Compensation

#### **Example Questions**

Line managers respect the knowledge human resource managers have in areas like testing and affirmative action. Consequently, human resource managers can influence line managers through \_\_\_\_\_.

- A. line authority
- B. explicit authority
- C. functional authority
- D. implied authority

**Correct Response: D**

The process by which union members vote to accept the terms of a negotiated labor agreement is called \_\_\_\_\_.

- A. authorization
- B. certification
- C. ratification
- D. localization

**Correct Response: C**

## **Sub-Topic: Operations/Production Management**

### **Subjects**

- Evaluation and Assessment
- Operations and Production Strategies
- Project Management

### **Example Questions**

Which one of the following is most likely to be classified as an assemble-to-order product or service?

- A. VCR
- B. Comic book
- C. Computer
- D. Wedding invitations

**Correct Response: C**

An operations strategy is created directly from the \_\_\_\_\_ strategy.

- A. Corporate
- B. Marketing
- C. Business
- D. Functional

**Correct Response: C**

## **Sub-Topic: Organizational Behavior**

### **Subjects**

- Managers, Managing, and Employee Motivation/Skills
- Off-Shoring and Out-Sourcing
- Organizational Analysis and Assessment
- Organizational Climate and Culture
- Organizational Structure and Design

### **Example Questions**

Which one of the following refers to an organization's ability to recognize the value of new information, assimilate it, and apply it to commercial ends?

- A. Knowledge sharing.
- B. Absorptive capacity.
- C. Knowledge management.
- D. Communities of practice.

**Correct Response: B**

Which one of the following problems is most likely to occur in a matrix structure?

- A. Employees receiving conflicting directives.
- B. Decreased coordination of efforts.
- C. Decreased employee motivation.
- D. Decreased response to environmental change.

**Correct Response: A**

## **Topic: Marketing**

### **Subjects**

- Customer Perspectives and Loyalty
- Market Orientation
- Market Segments and Target Marketing
- Marketing Concepts and Principles
- Marketing Planning and Management
- Society Marketing

### **Example Questions**

As a result of the \_\_\_\_\_, a small increase or decrease in consumer demand can produce a much larger change in demand for the facilities and equipment needed to manufacture the consumer product.

- A. demand fluctuation principle
- B. joint demand principle of division effect
- C. inelastic demand effect
- D. multiplier effect

**Correct Response: D**

A(n) \_\_\_\_\_ is a subgroup of individuals or organizations sharing one or more characteristics that cause them to have relatively similar product needs.

- A. market universe
- B. market segment
- C. aggregated market
- D. segmentation base

**Correct Response: B**

## **Topic: Quantitative Research Techniques and Statistics**

### **Subjects**

- Descriptive Statistics
- Hypothesis Testing
- Inferential Statistics
- One and Two Tailed Tests
- p Values, Probability, and Significance Levels
- Sampling Methods and Research Design
- Type I and Type II Errors

### **Example Questions**

Statistical measures like z scores, t scores, or stanines are used to establish \_\_\_\_\_.

- A. relationships between variables
- B. central tendency
- C. the variation of the set of scores
- D. the relative position of a single score to all other scores

**Correct Response: D**

"Internal validity" in research design refers to \_\_\_\_\_.

- A. whether or not there is really a causal relationship between two variables
- B. whether or not the findings are relevant to the participants' everyday lives
- C. the degree to which the researcher feels that this was a worthwhile project
- D. how accurately the measurements represent underlying concepts

**Correct Response: A**

## Assessment Service Validity and Reliability

### Introduction

The programmatic assessment services provided by Peregrine Academic Services (PAS) are used to assess retained knowledge of students at various academic degree levels. Schools deploy these services to evaluate the effectiveness of their academic programs, identify areas for improvement, and demonstrate program outcomes to external stakeholders.

PAS places a high priority on ensuring the validity and reliability of the assessment services. These practices begin at the design stage and continue through beta-testing, and with ongoing regularly scheduled quality reviews. The following outlines the approaches used to ensure ongoing validity and reliability.

**Validity** refers to the extent to which the test banks and the services measure the phenomena under consideration.

**Reliability** refers to the extent to which the exam results are repeatable and therefore data sets can be compared over time.

### Design Features that Impact Validity and Reliability

The following features apply to all assessment services.

- Exam scoring is 100% objective using automated marking.
- Each exam viewed by a student is unique using a random selection of questions from the test bank in random topic order.
- Timed response periods for questions. When the user navigates away from the exam screen, the screen fades, a message appears informing the user that he/she has left the exam window and the questions are timed.
- Students are unable to copy/paste from the exam window.
- The exam services meet the security requirements for Management of Information Technology (MIS) Sarbanes-Oxley (SOX) compliant organizations.
- Abandoned exams are excluded from summary reports.



## Ensuring Ongoing Validity and Reliability

### Validity

To ensure test bank validity, the following measures were adopted when the initial test banks were created. The same principles are used with subsequent changes to the test banks.

- The specific accreditation or certification requirements related to learning outcomes evaluation were used to determine the topics and subjects for the test banks.
- Current teachings for each topic were considered regarding the foundational level of each test bank.
- Exam questions were written and reviewed by academic professionals within each discipline. Similar subject matter experts are used with subsequent editing and for new questions.
- Each topic has questions designated for 4-8 subjects per topic to help ensure appropriate breadth of coverage and allow for specific learning outcomes measurement.
- Exam responses are either correct or incorrect with only one possible correct choice. Scores are determined by summarizing the percent correct: per subject, per topic, and by total score.

### Reliability

PAS contracted with external experts to design a comprehensive and statistically sound approach to measuring assessment service reliability. The result is that each year, a *Reliability Report* is generated for each assessment service. The report generates data for several reliability metrics and the data for each are compared with acceptability criteria to determine which test questions should be modified or replaced. Subject matter experts in the field are then contracted to modify/replace the targeted questions. Hence, the assessment service is regularly reviewed and improved to ensure ongoing reliability.

Reliability is determined by measuring *Item Difficulty*, *Item Discrimination* and *Question Interchangeability*.

**Item Difficulty** refers to percentage of students who answer questions correctly. Data are generated by topic and for each individual question. The target Item Difficulty is 60 percent correct with an acceptable range of 35 – 80 percent.

**Item Discrimination** refers to how well a question distinguishes between those students with more knowledge (higher overall exam scores) from those with less knowledge. Two measures are used: *Discrimination Index* and *Point-Biserial Correlation*.

For a given question, the Discrimination Index compares the scores of students with high overall test scores with students with low overall test scores. The scale is -1 to +1, with higher values indicating that a given question better distinguishes between high and low performing students. A value of  $\geq 0.20$  is considered acceptable.

Point-Biserial Correlation is equal to the Pearson's Correlation Coefficient between the scores on the entire exam and the scores on a specific question. A score of  $\geq 0.10$  is considered acceptable.

When assessing the quality of questions, both the Discrimination Index and the Point-Biserial Correlation Coefficient are reviewed.

**Question Interchangeability** refers to the ability to substitute a question in the test bank with another without significantly affecting the total score that an individual would receive on the exam. This is determined using Cohen's Effect Size  $d$  calculated based on a two-tailed  $t$ -test comparing the total score for all students who had that question in their exam versus the total score of the students who did not have that question in their exam. The scale is 0-1.0 and a score of  $< 0.20$  is considered acceptable.