

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

### *Undergraduate 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 associate and bachelor's academic degree levels.**

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 undergraduate test bank of questions is used for both associate and bachelor's levels because:

- a) The questions are associated with foundational knowledge levels.
- b) Using the same test bank for both associate and bachelor's level testing is an accreditation/articulation requirement for undergraduate transfer students completing a degree program at the associate level and continuing forward with a bachelor's program.

When used for the associate and bachelor's degree exams, the academic program manager selects topics that align with their learning outcomes and the program curriculum (usually 4-6 topics per exam for the associate degree and 10-12 topics for the bachelor's).

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 Communications
3. Business Ethics
4. Business Finance
5. Business Integration and Strategic Management
6. Business Leadership
7. Economics
  - a. Macroeconomics
  - b. Microeconomics
8. Global Dimensions of Business

9. Information Management Systems
10. Legal Environment of Business
11. Management
  - a. Human Resource Management
  - b. Operations/Production Management
  - c. Organizational Behavior
12. Marketing
13. Quantitative Research Techniques/Statistics

## **Topic: Accounting**

### **Subjects**

- Accounting Data Analysis (*Questions related to liquidity, use of analysis ratios, and the operating cycle*)
- Balance Sheet Analysis (*Questions related to common-size balance sheet, credit balances, and debit balances*)
- Compliance in Accounting (*Questions related to Sarbanes-Oxley Act, annual reports, quarterly reports*)
- Dividends, Stocks, and Bonds (*Questions related to stockholders' equity, common stock, and dividend payments*)
- Financial Statement Analysis (*Questions related to valuation, revenues, and income statements*)
- Interest, Income, and Debt (*Questions related to leverage, asset turnover, and liabilities*)
- Journal Entries (*Questions related to posting transactions, accounts receivable, and accounts payable*)
- Management of Accounting (*Questions related to analysis of risk and return, profitability, liquidity, and use of financial statements*)

### **Example Questions**

When a business erroneously records expenses as assets, it has violated the measurement issue of

- A. communication
- B. classification
- C. valuation
- D. recognition

**Correct Response: B**

A dividend will reduce which of the following accounts?

- A. Dividends
- B. Retained Earnings
- C. Common Stock
- D. Accounts Payable

**Correct Response: B**

## **Topic: Business Communications**

### **Subjects**

- Cross-Cultural Communications (*Questions related to differences, challenges, and guidance for effective communication*)
- Nonverbal Communications (*Questions related to nonverbal clues and impact on effectiveness*)
- Oral and Written Communications (*Questions related to types of communications, good practices and techniques*)
- Organizational Communications (*Questions related to vertical and horizontal communications, selecting the best methods of communication*)
- The Communication Process (*Questions related to elements of the process, feedback and communication styles*)

### **Example Questions**

Continually shifting back and forth between the role of speaker and listener is\_\_\_\_\_.

- A. a cultural practice
- B. distracting to the speaker
- C. called framing
- D. making smooth transitions

**Correct Response: D**

The real increases in organizational productivity due to information technology come from\_\_\_\_\_.

- A. the increased speed of message transfer
- B. the increased volume of messages
- C. the heightened awareness of cultural diversity
- D. the ability to communicate in new and different ways

**Correct Response: D**

## **Topic: Business Ethics**

### **Subjects**

- Conflict of Interest (*Questions related to the relationship between personal interests and organizational interests*)
- Corporate Ethics and Climate (*Questions related to ethical training, leadership role in ethical climate, and ethical communications*)
- Discrimination (*Questions related to Civil Rights Act, retaliation, and Equal Employment Opportunity*)
- Ethical Climate (*Questions related to types of power, ethics programs, and ethics officers*)
- Ethical Decision-Making (*Questions related to values, norms, and whistleblowing*)
- Ethical Issues (*Questions related to fraudulent activities, groupthink, and defining an ethical issue*)
- Ethical Standards (*Questions related to ethical formalism, codes of conduct, and legal vs. ethical issues*)

### **Example Questions**

Lying by omission involves intentionally

- A. withholding material facts.
- B. creating “noise” within the communication that knowingly confuses or deceives the receiver.
- C. using highly technical language that the receiver does not understand.
- D. trying to not hurt someone’s feelings.

**Correct Response: A**

Conflicts of interest exist when employees must choose whether to

- A. advance their own interests, those of the organization, or those of some other group.
- B. advance the interests of the organization or those of society.
- C. accept bribes.
- D. carry out an assignment they perceive as unethical.

**Correct Response: A**

## **Topic: Business Finance**

### **Subjects**

- Asset Valuation and Inventory (*Questions related to retained earnings, inventory turnover, and ROA*)
- Balance Sheets and Financial Statements (*Questions related to income statements, operating margins, and reporting*)
- Business Analysis Ratios and Calculations (*Questions related to Current Ratio, Free Cash Flow, and use of ratios in financial decision-making/analysis*)
- Interest and Dividends (*Questions related to dividend payments, interest income, and capital gains*)
- Profit, Loss, Cash Flow, and Margins (*Questions related to profit margins, positive/negative cash flows, and reporting losses*)
- Stocks and Bonds (*Questions related to bond yields, municipal bonds, and stock pricing*)
- Tax Rates, Taxes, and Tax Codes (*Questions related to alternative minimum tax, marginal tax rates, and corporate tax rates*)

### **Example Questions**

Which of the following statements is CORRECT?

- A. Free cash flow (FCF) is, essentially, the cash flow that is available for interest and dividends after the company has made the investments in current and fixed assets that are necessary to sustain ongoing operations.
- B. After-tax operating income is calculated as  $EBIT(1 - T) + \text{Depreciation}$ .
- C. Two firms with identical sales and operating costs but with different amounts of debt and tax rates will have different operating incomes by definition.
- D. If a firm is reporting its income in accordance with generally accepted accounting principles, then its net income as reported on the income statement should be equal to its free cash flow.

**Correct Response: A**

A corporate bond currently yields 8.3%. Municipal bonds with the same risk, maturity, and liquidity currently yield 5.5%. At what tax rate would investors be indifferent between the two bonds?

- A. 33.73%
- B. 28.24%
- C. 25.98%
- D. 42.17%

**Correct Response: A**

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

### **Subjects**

- Business-Level Strategy (*Questions related to cost control, differentiation, and customer analysis*)
- Competition (*Questions related to multipoint competition, competitive advantages, and global competition*)
- Corporate Mission, Vision, and Values (*Questions related to mission statements, organizational culture, and vision statements*)
- Corporate Strategies (*Questions related to integration, differentiation, and industry analysis*)
- Corporate Structure and Governance (*Questions related to analysis of activity, antitrust, and strategic leadership*)
- Diversification (*Questions related to acquisitions, internal/external incentives, and levels of diversification*)
- Stakeholders and Shareholders (*Questions related to organizational stakeholders, market stakeholders, and return on investment*)
- Strategic Planning and Decision-Making (*Questions related to the strategic management process, total quality management, and strategic mission*)

### **Example Questions**

When the costs of supplies increase in an industry, the low-cost leader

- A. may continue competing with rivals on the basis of product features.
- B. will lose customers as a result of price increases.
- C. will be unable to absorb higher costs because cost-leaders operate on very narrow profit margins.
- D. may be the only firm able to pay the higher prices and continue to earn average or above-average returns.

**Correct Response: D**

TQM is most helpful to firms following the \_\_\_\_ business strategy.

- A. cost-leadership
- B. integrated cost-leadership/differentiation
- C. focused cost-leadership
- D. focused differentiation

**Correct Response: B**

## **Topic: Business Leadership**

### **Subjects**

- Assessing Leadership Styles (*Questions related to employment agreements, leadership relationships, motivational theories, and leadership styles*)
- Building and Leading Teams (*Questions related to stages in team development, leader-team relationships, and team building*)
- Control and Types of Leader Power (*Questions related to reward power, position power, legitimate power, and influence*)
- Employee Development (*Questions related to leader feedback, delegation, and workforce characteristics*)
- Employee Motivation and Rewards (*Questions related to Equity Theory, physiological needs, motivational theory, rewards and punishment, and authority*)
- Leader Expectations (*Questions related to Pygmalion Effect, task completion, and setting standards*)
- Leader Traits and Attributes (*Questions related to democratic leaders, leader-follower relationships, delegation, ingratiation, authoritarian leaders, Leader-Member Exchange (LMX) Theory*)
- Models of Leadership (*Questions related to Leadership Grid, Behavioral Leadership Theory, Expectancy Theory, Leader-Member Exchange (LMX) Theory, and Situational Leadership*)

### **Example Questions**

All of the following are considered extrinsic motivators in Herzberg's two-factor theory EXCEPT:

- A. company policies.
- B. benefits.
- C. work itself.
- D. working conditions.

**Correct Response: C**

Which of the following is NOT one of the process motivation theories?

- A. goal-setting theory
- B. equity theory
- C. expectancy theory
- D. acquired needs theory

**Correct Response: D**



## **Topic: Economics**

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

#### **Subjects**

- Consumer Spending and Consumer Price Index (*Questions related to price levels, how CPI is used, and consumer transactions*)
- Economics Trends and Forecasting (*Questions related to economic growth, national savings, and economic policies*)
- Employment and Labor Supply (*Questions related to unemployment rates, recession, and supply capability*)
- Gross Domestic Product: Calculation, Use, Analysis (*Questions related to GDP defined, calculating GDP, and using GDP*)
- Inflation and Recession (*Questions related to depression/recession, inflation rates, and unemployment*)
- Interest Rates, Investment, and Fiscal Policy (*Questions related to government savings, developing fiscal policies, and monetary policy*)
- International Trade (*Questions related to imports/exports, rates, and globalization*)

#### **Example Questions**

An individual who purchases a computer later decides to acquire a new motherboard. In terms of computing GDP, this new motherboard would be a(n)

- A. economic good.
- B. final good.
- C. intermediate good.
- D. input.

**Correct Response: B**

The largest component of GDP is

- A. government purchases.
- B. investment.
- C. exports.
- D. consumption.

**Correct Response: D**

## **Sub-Topic: Microeconomics**

### **Subjects**

- Microeconomic Trends and Analysis (*Questions related to competitive markets, production, and profit maximization*)
- Price, Cost, and Profit (*Questions related to marginal costs, revenue, variable/fixed costs*)
- Spending and Saving (*Questions related to income, individual demand, and consumption*)
- Supply and Demand (*Questions related to consumer demand, supply/demand curves, and market/supply analysis*)

### **Example Questions**

In economics, firms are assumed to

- A. maximize output prices.
- B. minimize output prices.
- C. maximize profits.
- D. maximize consumer surplus.

**Correct Response: C**

Holding everything else equal, total revenue increases

- A. only when quantity increases.
- B. only when price increases.
- C. whenever total costs increase.
- D. when either price or quantity increase.

**Correct Response: D**

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

### **Subjects**

- Foreign Direct Investment and Trade (*Questions related to FDI policies, vertical FDI, and job creation*)
- International Corporate Strategies (*Questions related to Multinational Enterprises (MNE), market entry, and globalization strategies*)
- International Governance and Regulation (*Questions related to price regulation, incentives, and market balance*)
- International Patents and Protections (*Questions related to antidumping, tacit collusion, and fair competition*)
- Multinational Culture (*Questions related to nationalism, free-market based, and culture influences*)

### **Example Questions**

Government tactics that include removing incentives, demanding a higher share of profits and taxes, and confiscating foreign assets are known as:

- A. Expropriation
- B. Compromises
- C. Obsolescing bargains
- D. Conflicting interests

**Correct Response: A**

“People of the same trade seldom meet together, even for merriment and diversion, but their conversation often ends in conspiracy against the public.” This quote from Adam Smith is referring to which of the following business relationship terms:

- A. Competition
- B. Cooperation
- C. Collusion
- D. Collaboration

**Correct Response: C**

## **Topic: Information Management Systems**

### **Subjects**

- Artificial Intelligence (*Questions related to defining AI*)
- Data and Information (*Questions related to facts vs. assumptions, MIS systems, and the types of information systems*)
- Executive and Decision-Support Systems (*Questions related to the use of DSS, Forecasting, and types of DSS*)
- Expert Systems (*Questions related to use of expert systems, types of expert systems, developing an expert system*)
- Information Management Processes and Procedures (*Questions related to MIS activities, MIS systems, and MIS subsystems*)
- Internal and External Networks (*Questions related to e-commerce, internal vs. external networks, and uses of external networks*)
- Simulation Analysis (*Questions related to optimization, satisficing modules, and simulation environments*)
- Software and Hardware (*Questions related to types of hardware, firewalls, databases, and networks*)
- Telecommunications (*Questions related to virtual networks and teleconferencing*)

### **Example Questions**

\_\_\_\_\_ is a collection of facts organized so that they have additional value beyond the value of the facts themselves.

- A. Telecommunication
- B. Information
- C. Virtual reality
- D. Artificial intelligence

**Correct Response: B**

\_\_\_\_\_ is the simulation of a real or imagined environment that can be experienced visually in three dimensions.

- A. Organizational change
- B. Virtual reality
- C. Systems development
- D. CBIS

**Correct Response: B**

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

### **Subjects**

- Antitrust (*Questions related to interstate commerce, defining antitrust, and monopolies*)
- Civil and Criminal Processes (*Questions related to subpoena, an administrative agency, and judicial review*)
- Consumer Protection (*Questions related to consumer protection laws and regulatory agencies*)
- Equal Employment Opportunity (*Questions related to contract employees, severance pay, employment agreements*)
- Financial Regulation (*Questions related to corporate income, capital, and the SEC*)
- Government Regulation of Businesses (*Questions related to administrative agencies, legislative rules, federal agencies, and interested parties*)
- Legal Agreements and Documents (*Questions related to incorporation, trademarks, shareholder agreements, and contracts*)
- Liability (*Questions related to limited liability, personal liability, and limited liability companies*)
- Types of Business Organizations (*Questions related to partnerships, sole proprietorship, LLC, and corporations*)

### **Example Questions**

The Federal Highway Administration uses notice-and-comment rulemaking. This process begins with

- A. a request to Congress to enact enabling legislation.
- B. the filing of a complaint against a charged party.
- C. the publication of a notice of proposed rulemaking.
- D. the solicitation of public comments.

**Correct Response: C**

Kip opens an account at a Lotsa Goodies Store, and buys a digital music player and other items, but makes no payments on the account. To collect the debt, Mako, the manager, contacts Kip's parents. This violates

- A. no federal law.
- B. the Fair and Accurate Credit Transactions Act.
- C. the Fair Debt Collection Practices Act.
- D. the Truth-in-Lending Act.

**Correct Response: A**

## **Topic: Management**

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

#### **Subjects**

- HR Manager Roles and Responsibilities (*Questions related to cultural audits, internal analysis, and HR Manager activities*)
- HR Planning (*Questions related to Mission/Vision/Values, trend analysis, and strategic HRM*)
- Recruiting and Retention of Employees (*Questions related to core knowledge, succession planning, and organizational structure*)
- Staffing Decisions (*Questions related to contract labor, the Delphi Technique, and forecasting*)

#### **Example Questions**

The process of setting major organization objectives and developing plans to achieve them is called:

- A. strategic planning.
- B. HR planning.
- C. job analysis.
- D. environmental scanning.

**Correct Response: A**

One way human resource planning links to strategic planning is by providing a set of inputs into the:

- A. strategy formulation process
- B. strategy implementation process
- C. strategic analysis process
- D. source of competitive advantage

**Correct Response: A**

## Sub-Topic: Operations/Production Management

### Subjects

- Continuous Improvement (*Questions related to Zero Defects, TQM, and Six Sigma*)
- Cost Control (*Questions related to machine down time, cost of quality, and recalls/warranty claims*)
- Data Analysis Tools (*Questions related to Pareto diagram, GAP Models, and Cause-and-Effect diagrams*)
- Quality Management (*Questions related to SERVQUAL, ISO 9000, Six Sigma/TQM*)

### Example Questions

In the SERVQUAL instrument for measuring service quality, the concept of assurance is associated with

- A. The ability to convey trust and confidence
- B. Caring and individualized attention
- C. Always providing consistent service
- D. Performing a service quickly and on time

**Correct Response: A**

Which of the following is not one of W. Edwards Deming's 14 points?

- A. Create a vision and demonstrate commitment
- B. Stop making decisions purely on the basis of cost
- C. Eliminate exhortation
- D. The only performance standard is Zero Defects

**Correct Response: D**

## Sub-Topic: Organizational Behavior

### Subjects

- Corporate Culture and Climate (*Questions related to drivers of change, corporate management, and norms/ethics*)
- Individual and Group Dynamics (*Questions related to workforce diversification, skill development, employee interactions*)
- Organizational Charts and Structure (*Questions related to formal/informal organizational charts, change, and organizational levels*)
- Organizational Mission, Vision, and Values (*Questions related to role of values in corporate culture, mission/vision statements, and behaviors*)

### Example Questions

A leading force currently driving change at work is:

- A. global competition
- B. politics
- C. quality
- D. process management

**Correct Response: A**

A questioning, probing attitude is at the core of:

- A. job performance
- B. organizational reality
- C. critical thinking
- D. subjective knowledge

**Correct Response: C**

## **Topic: Marketing**

### **Subjects**

- Marketing Research, Planning, and Strategy (*Questions related to developing a marketing plan, marketing strategies, and defining the market*)
- People (*Questions related to defining the customers, buyers, and consumers*)
- Place (*Questions related to positioning strategies, demand for goods and services, and perceptual maps*)
- Price (*Questions related to retailers, price elasticity, and competition*)
- Product (*Questions related to product life cycle, packaging, and product portfolios*)
- Promotion (*Questions related to product differentiation, demand curves, and market advantage*)

### **Example Questions**

Which of the following IS NOT a purpose of a marketing plan?

- A. It explains the present and future situations of the organization
- B. It specifies the expected outcomes
- C. It describes specific actions that are to take place
- D. It explains how marketing activities mesh with other functional areas
- E. It identifies needed resources

**Correct Response: D**

In the context of marketing planning, why is it vital that the marketing plan be capable of selling itself to top management?

- A. Because top managers are responsible for executing the marketing plan
- B. Because top managers must be able to evaluate the performance of the marketing program
- C. Because top managers must be able to clearly communicate the strategy to external stakeholders
- D. Because top managers must decide whether the marketing plan is the best use for the organization's scarce resources
- E. Because top managers are compensated on how well the marketing strategy works

**Correct Response: D**



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

### **Subjects**

- Descriptive Statistics (*Questions related to standard deviation, variance, and sample mean*)
- Hypothesis Testing (*Questions related to testing approaches and accepting/rejecting a hypothesis*)
- Inferential Statistics (*Questions related to decision trees, influence of sample size, and population means*)
- Population Sampling (*Questions related to random sampling, sampling distributions, and sampling errors*)
- Probability (*Questions related to calculating probability, power curve, probability distributions*)
- Significance Levels (*Questions related to expected value of sample information, expected value of perfect information, and use of significance levels*)
- Type I and Type II Errors (*Questions related to defining and understanding Type I and Type II errors*)

### **Example Questions**

Sensitivity analysis considers

- A. how sensitive the decision maker is to risk.
- B. changes in the number of states of nature.
- C. changes in the values of the payoffs.
- D. changes in the available alternatives.

**Correct Response: C**

A population characteristic, such as a population mean, is called

- A. a statistic
- B. a parameter
- C. a sample
- D. the mean deviation

**Correct Response: B**

## 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.