

Business Administration CPC-Based COMP Exam Summary:

Masters Level

Peregrine Academic Services provides a range of online comprehensive exams for performing direct assessment in a range of academic disciplines.

This document focuses on the Business Administration Common Professional Component (CPC) based comprehensive exam for Masters (MBA, MS, or MA) level students.

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

The exams contains 10 questions for each CPC topic and each exam is unique as questions are selected at random from the test bank of over 200-400 questions per topic. Institutions select the topic areas to be included in the exam to match the design of their curriculum.

This document provides information on:

- Topic areas, Sub-Topics where applicable, and Subjects covered within each.
- Example questions.
- Exam Validity and Reliability

The Topics and Sub-Topics are:

Accounting
Business Ethics
Business Finance
Business Integration and Strategic Management
Business Leadership
Economics
 Macroeconomics
 Microeconomics
Global Dimensions of Business
Information Management Systems
Legal Environment of Business
Management
 Human Resource Management
 Operations Management
 Organizational Behavior
Marketing
Quantitative Techniques/Statistics

Topic: Accounting

Subjects

- Assets and Liabilities (*Questions related to cost-flow assumptions, bad debt, and income tax expenses*)
- Audits, Auditing, and Balance Sheets (*Questions related to a fiscal year, accrual accounting, internal control, GAAP, and profitability*)
- Capital Investments (*Questions related to recover of investment, capital investment proposals, and net present value*)
- Credits and Debits (*Questions related to how debits and credits are posted to accounts*)
- Equity (*Questions related to owners' equity, paid-in capital, and net*)
- Net Present Value (*Questions related to calculating and using NPV*)

Example Questions

The percent of fixed assets to total assets is an example of

- A. vertical analysis.
- B. solvency analysis.
- C. profitability analysis.
- D. horizontal analysis.

Correct Response: A

The process by which management plans, evaluates, and controls long-term investment decisions involving fixed assets is called

- A. absorption cost analysis.
- B. variable cost analysis.
- C. capital investment analysis.
- D. cost-volume-profit analysis.

Correct Response: C

Topic: Business Ethics

Subjects

- Corporate Social Responsibility (*Questions related to social reputation, corporate philanthropy, human rights, power, and ethics*)
- Discrimination (*Questions related to racial and sexual discrimination*)
- Ethical Decision-Making (*Questions related to external rewards, models of ethical decision-making, utilitarian reasoning, and business ethics*)
- Individual and Corporate Ethics and Culture (*Questions related to developing an ethical corporate culture*)
- International Ethical Standards (*Questions related to ethical issues for companies doing business overseas*)
- Stakeholder Relations (*Questions related to how to engage stakeholders*)

Example Questions

Which of the following best describes the term corporate culture?

- A. A function of many factors, including corporate policies on ethics, top management's leadership on ethical issues, the influence of coworkers, and the opportunity for unethical behavior.
- B. A set of values, beliefs, goals, norms, and ways of solving problems that members (employees) of an organization share.
- C. A set of values, beliefs, goals, norms, and ways of solving problems that the public shares.
- D. A function of many factors related to locus of control.

Correct Response: B

The use of bribery in international business is

- A. totally unacceptable.
- B. acceptable in the United States.
- C. a cost of conducting business in any country.
- D. an acceptable business practice in many countries' cultures.

Correct Response: D

Topic: Business Finance

Subjects

- Balance Sheets and Financial Statements (*Questions related to income statements, use of the balance sheet, analyzing financial statements*)
- Cash Flows and Budgets (*Questions related to cash budgets, asset characterization, noncash charges, and corporate cash*)
- Corporate Earnings, Stocks, and Bonds (*Questions related to equity, bonds, net working capital, investment, and market-to-book ratio*)
- Corporate Financial Structures (*Questions related to partnerships, corporations, bylaws, public companies, Sarbanes Oxley Act*)
- Debt, Equity, and Depreciation (*Questions related to fixed assets, operating costs, the mix of debt and equity, and depreciation*)
- Financial Ratios (*Questions related to debt-to-equity ratios, earnings per share, turnover ratio, return on equity, earnings before interest, net present value, quick ratio, and use of financial ratios*)
- Financing, Forecasting, and Planning (*Questions related to leverage, financing assets, the role of financial planning and forecasting*)

Example Questions

For both managers and external financial analysts, _____ is the single most important accounting number found on the income statement.

- A. net income (net profit after tax)
- B. earnings before interest and taxes (EBIT)
- C. earnings available for common stockholders
- D. operating profit

Correct Response: A

_____ ratios would provide the best information regarding total return to common stockholders.

- A. Profitability
- B. Activity
- C. Liquidity
- D. Market

Correct Response: A

Topic: Business Integration and Strategic Management

Subjects

- Business and Corporate-level Strategies (*Questions related to localization strategy, international strategy, economic of scale, emergent strategies, and business-level vs. corporate-level strategies*)
- Continuous Improvement (*Questions related to quality management, Six Sigma, Just-in-time delivery, and sources of information regarding quality*)
- Corporate Structure and Governance (*Questions related to managers, strategic leadership, goals, leverage, and company officers*)
- Managers and Management Structure (*Questions related to competitive intelligence, managing people, learning, and functional managers*)
- Marketing Strategy and Market Positioning (*Questions related to global expansion, small-scale entry, and the marketing strategic in market positioning*)
- Mission and Vision (*Questions related to the purpose and use of mission and vision relative to corporate strategy*)
- Shareholder Value and Return (*Questions related to obligations to provide shareholder value and return on investment*)
- Strategic Analysis Tools (*Questions related to the SWOT analysis, feedback, and ability to meet financial obligations*)
- Strategic Planning and Decision-Making (*Questions related to steps in strategic planning and how to make company-level decisions*)

Example Questions

The resources and capabilities that lead to the formation of distinctive competencies are mostly created at which level of the organization?

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

Correct Response: B

Economies of scale are

- A. unit cost reductions associated with learning effects.
- B. unit cost reductions associated with superior customer responsiveness.
- C. realized when output is as large as possible.
- D. unit cost reductions associated with a large-scale output.

Correct Response: D

Topic: Business Leadership

Subjects

- Coaching and Mentoring (*Questions related to mentoring, executive coaching, and mentoring techniques*)
- Leader Traits and Effectiveness (*Questions related to leadership values, emotional intelligence, enthusiastic leader, and self-awareness in leaders*)
- Leadership Development (*Questions related to education, succession planning, and feedback*)
- Leadership Styles and Approaches (*Questions related to positional leadership, executive leaders, leadership competencies, and authority*)
- Power and Legitimacy (*Questions related to sources of power, socialized power, and contingent reward and punishment behavior*)

Example Questions

Leadership effectiveness tends to be higher when the leader's intelligence is

- A. about the same as that of the average group member.
- B. a little higher than that of the average group member.
- C. considerably higher than that of the average group member.
- D. considerably lower than that of the average group member.

Correct Response: B

Creativity among leaders tends to be distributed

- A. along a continuum from low to high.
- B. into being creative versus not creative.
- C. between old and young leaders.
- D. between planners versus implementers.

Correct Response: A

Topic: Economics

Sub-Topic: Macroeconomics

Subjects

- Employment and Unemployment (*Questions related to full employment, actual employment, cyclical unemployment rate, unemployment rates, and calculating employment rates*)
- Gross and Net Domestic Product (*calculating and using GDP and NDP*)
- Income, Debt, and Investment (*Questions related to calculating total income, debt, and investment*)
- Inflation and Interest Rates (*Questions related to recession, economic trend data, and inflation calculations*)
- International Trade (*Questions related to net imports and net exports*)
- Pricing and Price Indexing (*Questions related to Consumer Price Index, depreciation, and base years*)

Example Questions

Gross private domestic investment is equal to all purchases of newly produced capital goods

- A. minus changes in business inventories.
- B. plus fixed investment minus inventory investment.
- C. plus changes in business inventories.
- D. plus changes in business inventories plus purchases of new residential housing.

Correct Response: D

Gross Domestic Product (GDP) is the total market value of all

- A. final goods and services produced annually within a country's borders.
- B. final and intermediate goods and services produced annually within a country's borders.
- C. intermediate goods and services produced annually within a country's borders.
- D. final goods and services produced every month within a country's borders.

Correct Response: A

Sub-Topic: Microeconomics

Subjects

- Elasticity (*Questions related to calculating price elasticity, demand, and inelastic demand*)
- Pricing (*Questions related to equilibrium price, demand effects on price, and marginal utility*)
- Supply and Demand (*Questions related to supply/demand curves, equilibrium, and using supply/demand diagrams*)

Example Questions

As the price of good A rises, the demand for good B rises. Therefore, goods A and B are

- A. normal goods.
- B. inferior goods.
- C. substitutes.
- D. complements.

Correct Response: C

The law of supply states that price and quantity supplied are

- A. inversely related, ceteris paribus.
- B. directly related, ceteris paribus.
- C. not related.
- D. fixed.

Correct Response: B

Topic: Global Dimensions of Business

Subjects

- Collusion and Anti-Trust (*Questions related to dumping, explicitly collusion, anti-trust law, and anti-trust policy*)
- Global Regulation and Governance (*Questions related to European Union, Group of Eight, the United Nations, and the Organization for Economic Cooperation and Development*)
- Global Structures and Strategies (*Questions related to World Trade Organization, common markets, barriers for entrants, exporting, and industry-based considerations*)
- Multinational Corporations and Enterprises (*Questions related to*)
- Treaties and International Trade (*Questions related to defining a global company, an international division, and knowledge management in a global firm*)

Example Questions

Which of the following are least likely to result in collusion?

- A. High concentration ratio.
- B. Heterogeneous products.
- C. High entry barriers.
- D. High market commonality.

Correct Response: B

In some industries where pressures for globalization are relatively low, local firms may possess some skills and assets that are transferable overseas, thus leading to a/an_____strategy.

- A. Defender
- B. Extender
- C. Dodger
- D. Contender

Correct Response: B

Topic: Information Management Systems

Subjects

- Artificial Intelligence (*Questions related to cybernetic systems, defining AI, and AI systems*)
- Data and Information (*Questions related to expert systems, supply chain management, input/output, and information databases*)
- Decision-Support Systems (*Questions related to the design and use of decision-support systems*)
- Graphical Information Systems (*Questions related to the design and use of GIS systems*)
- Information Security (*Questions related to establishing and maintaining information security*)
- Information Technology (*Questions related to hardware/software, extranet, intranet, and e-business*)

Example Questions

Many IT professionals start their careers as programmers, or programmer/analysts, and then are promoted to _____, positions that require a broad range of skills.

- A. network administrators
- B. network analysts
- C. systems administrators
- D. systems analysts

Correct Response: D

You might find organizations where there are both a CIO and a _____ and one reports to the other.

- A. CEO
- B. CSO
- C. CTO
- D. Webmaster

Correct Response: C

Topic: Legal Environment of Business

Subjects

- Business Entities and Structure (*Questions related to corporations, partnerships, joint ventures, S-corporations, and general partnerships*)
- Common Law (*Questions related to role of common law, double jeopardy, US and English Common Law systems, and civil law systems*)
- Legal Agreements and Documents (*Questions related to fiduciary duty, prosecution, civil proceedings, and the responsible corporate officer*)
- Regulation and Control (*Questions related to FTC Act, sources of international law, state laws, and the Cyber Security Enhancement Act*)
- Tariffs and Taxes (*Questions related to who imposes tariffs and taxes*)
- Tort and Liability (*Questions related to trespass, negligence, punitive damages, privilege, libel, intentional torts, and invasion of privacy*)
- Trade Laws and Regulations (*Questions related to regulating business ownership and international trade*)

Example Questions

When directors on a board serve for a fixed term but are not elected all at once it is known as a _____ board.

- A. Cumulative
- B. Staggered
- C. Proxy
- D. inside

Correct Response: B

The ____ is a program developed by the industrialized countries to assist developing nations by improving their ability to export

- A. World Trade Organization
- B. Developing Nations Schedule
- C. Harmonized Tariff Schedule
- D. Generalized System of Preferences

Correct Response: D

Topic: Management

Sub-Topic: Human Resource Management

Subjects

- HR Affirmative Action (*Questions related to Affirmative Action Programs and compliance with federal law*)
- Employee Turnover (*Questions related to voluntary vs. involuntary turnover*)
- Equal Employment Opportunity (*Questions related to EEO rules, employee rights, and employment agencies*)
- Human Resource Planning, Assessing, and Inventories (*Questions related to employment forecasting, role of company goals in employment planning, job design, and job analysis*)
- Recruiting and Retention (*Questions related to sources of employees, recruitment activities, retraining, and retention tracking*)

Example Questions

Which of the following statements about recruitment activities is true?

- A. Recruiting and hiring are interchangeable terms.
- B. Effective recruitment attracts individuals to the organization.
- C. Recruiting has little effect on employee retention.
- D. Recruiting involves sorting and ranking job applicants.

Correct Response: B

Which of the following statements about contingent employment is true?

- A. Rehiring former or laid-off employees as contingent workers is an effective method of recruiting.
- B. The growing reliance on contingent employment is often considered a positive trend for employees.
- C. The commitment of rehired employees to do the best job possible tends to be very high.
- D. Conflict between permanent and temporary workers is seldom a problem.

Correct Response: A

Sub-Topic: Operations/Production Management

Subjects

- Management Decision-Making (*Questions related to infrastructure decisions, batch flow, mass customization, and capital investment*)
- Operations and Production Management Strategies (*Questions related to developing strategy, supply change analysis, considerations in operations management*)
- Quality Control and Improvement (*Questions related to defining quality, control tools, the quality function deployment, and quantitative quality improvement tools*)
- Sampling and Data Analysis (*Questions related to Pareto analysis, Type I errors, analyzing production data, and using feedback*)

Example Questions

The ability to produce a product in high volume at roughly the same cost as standard products but customized to individual customer tastes is

- A. Flexibility
- B. Volume flexibility
- C. Variety
- D. Mass customization

Correct Response: D

If a quality improvement plan is implemented and then periodically evaluated and it is discovered that the plan did not show improvement, what should be done?

- A. Earlier assumptions need to be reevaluated
- B. Standardize for the future
- C. Celebrate

Recap and summarize what was learned

Correct Response: A

Sub-Topic: Organizational Behavior

Subjects

- Career Planning and Employee Development (*Questions related to diversity, organizational design, and Knowledge/Skills/Abilities (KSAs)*)
- Division of Labor and Organization (*Questions related to organizational levels, hierarchy, network organizations, and span of control*)
- Employee Values, Motivations, and Characteristics (*Questions related to understanding employee motivations and behaviors, verbal communications, employee attitudes, and knowledge transfer*)
- International and Multinational Organizations (*Questions related to multinational design, global mindsets, and worldwide perspectives*)
- Organizational Culture, Ethics, and Values (*Questions related to diversity, ethical dilemmas, developing culture, codes of conduct, and culture strategies*)
- Organizational Design and Structure (*Questions related to organic organization, mechanistic organization, bureaucracy, functional design, and determining the right design/structure*)
- Organizational Strategies (*Questions related to differentiation strategies, technological change, and network-designed strategies*)

Example Questions

The communication competency is linked to effective performance of all but which of the following skills?

- A. active listening skill
- B. questioning skill
- C. liaison skill
- D. empathizing skill

Correct Response: C

The communication competency is linked to effective performance of which of the following skills?

- A. liaison skill
- B. monitoring skill
- C. disseminating skill
- D. questioning skill

Correct Response: D

Topic: Marketing

Subjects

- Market Segment (*Questions related to types of segmentation and approaches to segmentation*)
- Marketing Defined (*Questions related to how to define the target market, marketing strategies, and marketing decision-making*)
- Marketing Research (*Questions related to focus groups, customer satisfaction surveys, marketing studies*)
- Marketing Strategy (*Questions related to marketing management, planning for marketing, and how companies determine their marketing strategy*)
- Marketplace and Market Share (*Questions related to generic vs. specific market, economics of scale, and product-market decision-making*)
- Types of Marketing (*Questions related to positioning, marketing partners, marketing collaboration, and service marketing*)

Example Questions

Coordinating the flow of all goods, services and information among channel members, and throughout the channel, is referred to as

- A. supply chain management
- B. distribution channel
- C. logistics
- D. flow marketing.

Correct Response: C

_____ strategies are incentives a manufacturer offers to its distribution partners such as dealers, wholesalers, retailers, and the like to sell products to the end-users.

- A. Pull marketing
- B. Marketing
- C. Promotion marketing
- D. Push marketing

Correct Response: D

Topic: Quantitative Research Techniques and Statistics

Subjects

- Data Analysis Techniques (*Questions related to relationships between variables, sampling, measuring variation, estimating, and standard errors*)
- Descriptive Statistics (*Questions related to percentiles, mean, median, mode, and variance*)
- Hypothesis Testing (*Questions related to when to reject or not reject the null hypothesis*)
- Inferential Statistics (*Questions related to estimating and inferring from data*)
- Power Analysis (*Questions related to assessing the power of a test*)
- Probability (*Questions related to p-value, one-tailed tests, and two-tailed tests*)
- Sampling Errors (*Questions related to sampling and non-sampling errors*)
- Sampling Methods and Research Design (*Questions related to populations and samples, cluster sampling and random sampling*)
- Significance Levels (*Questions related to determining p-values*)
- Simulation Models (*Questions related to using graphical models*)
- Type I and Type II Errors (*Questions related to defining and understanding Type I and Type II errors*)

Example Questions

The sampling method in which a population is divided into blocks and then selected by choosing a random mechanism is called a

- A. random sampling
- B. systematic sampling
- C. stratified sampling
- D. cluster sampling

Correct Response: B

A judgmental sample is a sample in which the

- A. sampling units are chosen using a random number table
- B. quality of sampling units judged
- C. sampling units are chosen according to the sampler's judgment
- D. sampling units are all biased and vocal about it

Correct Response: C

Exam Validity and Reliability

Peregrine places a high priority on ensuring colleges and universities are provided with valid and reliable assessment instruments that can be incorporated into their academic programs to measure learning outcomes in order to serve accreditation, accountability and continuous improvement needs. Practices to ensure exam quality begin at the concept stage and continue through beta-testing, and with ongoing regularly scheduled quality reviews.

Reliability refers to the extent to which the exam results are repeatable.

Validity refers to the extent to which results are relevant and meaningful.

To ensure reliability the following measures are adopted.

- Peer review and sensitivity analysis was included as part of exam question development.
- Exam scoring is 100 objective using automated marking.
- Each exam 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.
- Reliability stability was confirmed during the initial beta-testing with no statistically significant difference in scores ($p < .05$).
- Abandoned exams are excluded from summary reports.

To ensure exams are valid the following measures are adopted.

- Exam questions are written and reviewed by academic professionals within each discipline.
- Psychometric analysis was conducted to eliminate substandard questions following initial beta-testing and after use by institutions. Annual test bank reviews are conducted.
- Questions have a subject-level designation with 4-8 subjects per topic.
- 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.
- Many questions focus on application of concepts.

A more detailed explanation of exam validity and reliability is available from the following link:

http://www.peregrineacademics.com/resources/documents/PAS_CPC-based_COMP_Exam-Validity_and_Reliability.pdf