

Virtual Enterprises International 2015-2016 Assessment Exam

Before you begin your test, it's very important to take a few minutes to review these instructions to be sure you get the most from your testing experience. Below you will find information about your specific test, followed by a set of general instructions on how to take your test.

Test Instructions:

The 2015-2016 VEI Assessment Exam has been designed to measure:

- your skills in applied information technology, critical thinking, and communication
- your knowledge of general business concepts and entrepreneurship
- the extent of your career awareness and readiness

The test is comprised of **50 multiple-choice questions**.

These questions are categorized into six sections:

1. Business Awareness
2. Technology
3. Business Communication
4. Finance & Accounting
5. Personal Finance
6. Problem Solving

This is a multiple-choice test. You will have **75 minutes** to complete this test. This test must be completed in one sitting. Follow the instructions for additional directions.

BUSINESS AWARENESS

1. Select the form of business (or businesses) in which there is unlimited personal legal liability from lawsuits related to the business.
- A. sole proprietorship only
 - B. partnership only
 - C. corporation only
 - D. choices A and B

Explanation: The correct answer is **D**.

2. A business plan is important for a new business for all of the following reasons except:
- A. it makes you think about all aspects of your business.
 - B. it can help you communicate your idea to others.
 - C. it guarantees that you will get financing for your business.
 - D. it can serve as a tool for managing your business.

Explanation: The correct answer is **C**.

3. Which of the following defines why an organization exists and what it seeks to accomplish?
- A. a break-even analysis
 - B. a mission statement
 - C. an executive summary
 - D. an organization chart

Explanation: The correct answer is **B**.

4. Social responsibility is the duty of business to
- A. contribute to product development.
 - B. provide educational loans to employees.
 - C. provide social activities for employees.
 - D. contribute to the well-being of society.

Explanation: The correct answer is **D**.

5. Which of the following statements about a sales invoice is incorrect?
- A. It should include the name, address and contact information of the customer.
 - B. It should include the name, address, and contact information of the vendor.
 - C. Must be signed by the customer in order for it to be a legally enforceable document.
 - D. The amount of the invoice will determine whether it needs to be signed by the customer in order for it to be a legally enforceable document.

Explanation: The correct answer is **C**.

6. Which department collects information about the employees' attendance, lateness, and benefit issues relating to the employees?
- A. Accounting
 - B. Human Resources
 - C. Marketing
 - D. Sales

Explanation: The correct answer is **B**.

7. SWOT Analysis is an effective way of identifying a company's strengths and weaknesses, and of examining the opportunities and threats the company faces. Select the statement below about SWOT Analysis that is correct.
- A. Analysis of strengths and weaknesses is considered part of an internal audit; examining opportunities and threats is considered part of an external audit.
 - B. Analysis of strengths and weaknesses is considered part of an external audit; examining opportunities and threats is considered part of an internal audit.
 - C. Analysis of strengths and weaknesses and examination of opportunities and threats are both considered part of an internal audit.
 - D. Analysis of strengths and weaknesses and examination of opportunities and threats are both considered part of an external audit.

Explanation: The correct answer is **A**.

8. Which of the following is a benefit to companies carrying business insurance?
- A. The insurance allows the company to take more business trips.
 - B. The insurance ensures that the company will make a profit.
 - C. The insurance reduces the company's liability.
 - D. The insurance provides employees with insurance discounts.

Explanation: The correct answer is **C**.

9. The activity of promoting goods and services to customers is part of
- A. distributing
 - B. merchandising
 - C. marketing
 - D. purchasing

Explanation: The correct answer is **C**.

10. Which of the following forms of business is a legal entity, can own property, enter into contracts and is required to pay income taxes on net income?
- A. sole proprietorship
 - B. corporation
 - C. partnership
 - D. franchise

Explanation: The correct answer is **B**.

TECHNOLOGY

11. Which of the following functions cannot be applied to data in a worksheet?

- A. average
- B. sum
- C. count
- D. derivative

Explanation: The correct answer is **D**.

12. Answer true or false: When you create a chart in Excel, you have the option of displaying the chart as an object in the worksheet with the data or displaying it in a separate worksheet.

- A. true
- B. false

Explanation: The correct answer is **A**.

13. If you open a presentation as *read only*, you can

- A. make changes to it.
- B. view it, but not modify it.
- C. make formatting changes only.
- D. change the date and time only.

Explanation: The correct answer is **B**.

14. If you wanted the same text to appear on the top of every page of a Word document, you would create a

- A. footer.
- B. header.
- C. hanging indent.
- D. page break.

Explanation: The correct answer is **B**.

15. If you were creating a report in Word that included sources used, or quoted or paraphrased material, you would need to include

- A. a table of authorities.
- B. a bibliography.
- C. footnotes and a bibliography.
- D. a table of figures.

Explanation: The correct answer is **C**.

16. Choose from **A** through **D** below to select the statement(s) about templates that is (are) correct.
- I. A template can be useful as a model, but any changes made cannot be saved.
 - II. Templates can be created in word-processing and spreadsheet applications, but not in presentation applications.
 - III. A template contains formatting and text that you can customize to create a new file that is similar to, but slightly different from, the original.
 - IV. Invoice templates are available in spreadsheet software, but the formulas in the template files cannot be changed.
- A. I only
 - B. I and II only
 - C. III and IV only
 - D. III only

Explanation: The correct answer is **D**.

17. Backup files are created in order to
- A. duplicate copies of files when there is more than one computer
 - B. preserve the original data against loss due to an unforeseen event
 - C. correct errors in the original document
 - D. increase computer reliability and speed

Explanation: The correct answer is **B**.

18. Mary, who worked in the accounting department of a VE firm, wanted to include data that was in a spreadsheet into a Word document. From the choices below, select the statement that is true about her attempt to do so.
- A. It is not possible to insert part of a spreadsheet into a Word document.
 - B. Mary was able to insert part of the spreadsheet, but the data in the spreadsheet insert had the characteristics of text.
 - C. Mary was able to insert part of the spreadsheet, and the data in the spreadsheet insert continued to have the functionality of numeric data.
 - D. Neither **A**, **B**, or **C** is true.

Explanation: The correct answer is **B**.

BUSINESS COMMUNICATIONS

19. A *BCC* notation in an e-mail is
- A. used to transmit data files from sender to recipient.
 - B. a short, written statement containing information to be noted for future use.
 - C. used to let the recipient of a document know that someone else will receive a copy of that document.
 - D. used to send a copy of a message to someone else without the primary recipient of the e-mail being aware.

Explanation: The correct answer is **D**.

20. Choose from **A** through **D** below to identify what you believe are obstacles you might encounter when communicating with people in foreign countries.

- I. The popular misconception held by many nationalities is that all people think and behave as they do.
- II. Gestures communicate ideas and feelings with different meanings across cultures.
- III. Idiomatic expressions are a deterrent to effective communication.
- IV. Symbols differ among cultures.

- A. I and II only
- B. I and IV only
- C. II, III, and IV only
- D. I, II, III, and IV

Explanation: The correct answer is **D**.

21. The elements *To*, *From*, *Date*, and *Re* are likely to be found in which form of business communication?

- A. a business letter
- B. an invoice
- C. a memorandum
- D. a purchase order

Explanation: The correct answer is **C**.

22. An agenda is

- A. a list of items that the company needs to order to replenish its stock of merchandise inventory.
- B. a list of topics intended to be covered during a business meeting.
- C. a summary of the financial requirements of a business.
- D. a summary of what took place during a meeting.

Explanation: The correct answer is **B**.

23. When presenting company publications, either in printed or electronic form, a process to proofread them should be established. Which of the following is a correct statement about the importance of proofreading?

- A. Proofreading can be enhanced by technology whereby all grammatical and spelling errors are caught prior to being released to the market.
- B. Proofreading can be done by the person that creates the publications and will save time and money.
- C. Proofreading should be done by multiple people which will prevent inaccuracies in documents.
- D. Proofreading is important and should be done for every publication whether printed or electronic.

Explanation: The correct answer is **D**.

24. What are the characteristics of effective business writing?

- I. clarity
 - II. conciseness
 - III. friendly
 - IV. personable
- A. I and II
 - B. III and IV
 - C. I and III
 - D. II and IV

Explanation: The correct answer is **A**.

25. Words from the categories listed below will be included in a letter that you are writing to your supervisor, and you want to be sure that you have capitalized those words that should be capitalized.
- I. names of organizations
 - II. names of commercial products
 - III. names of the seasons
 - IV. personal and official titles

Which of the choices below identifies the words that should be capitalized?

- A. I and II only
- B. I and IV only
- C. I, II, and IV only
- D. I, III, and IV only

Explanation: The correct answer is **C**.

26. Which of the following statements about the use of e-mail as a means of business communication is correct?

- A. As long as the user has anti-virus software in place, the confidentiality of the contents of an e-mail message can be assured.
- B. E-mail messages are less formal than other forms of business communication, and as such, there is no need to conform to normal business writing protocols.
- C. E-mail messages can be sent simultaneously to numerous recipients.
- D. Unlike the *registered receipt* that the U.S. Postal Service provides, there is no way to determine whether or not the intended recipient of an e-mail actually receives the message you send.

Explanation: The correct answer is **C**.

ACCOUNTING & FINANCE

27. Budgets can be a useful tool for company managers when

- A. budgeted amounts are compared to actual amounts to find areas of strengths and weakness
- B. separate budgets are used for each department
- C. amounts budgeted are always in anticipation of the "best-case scenarios"
- D. the budget is prepared only under conditions of perfect certainty

Explanation: The correct answer is **A**.

28. The income statement

- A. is generally used to determine the amount left after deducting sales discounts and return allowances from gross sales
- B. can be substituted for the cash flow statement when reporting income
- C. is a report of the total dollar amount of a company's sales
- D. summarizes the firm's revenues and expenses and shows total profit over a period of time

Explanation: The correct answer is **D**.

29. A break-even analysis is important because it

- A. allows a company to determine how many units of a product it would have to sell in order to have sales revenue exceed total costs
- B. enables a company to determine how many units of a product it would have to sell in order to have sales revenue meet total costs
- C. allows a company to determine sales revenue based only on variable costs
- D. enables a company to determine fixed and variable costs

Explanation: The correct answer is **B**.

30. Companies prepare annual reports

- A. as an optional exercise, if the firm sells stock to the public
- B. as an optional exercise, if the firm has prepared a business plan in the same fiscal year
- C. because it is required by the Securities and Exchange Commission
- D. to provide information to investors, creditors and employees of the firm

Explanation: The correct answer is **C**.

Refer to the following income statement for World Wide Lamps to answer questions 31-34.

**World Wide Lamps
Income Statement
For the Year Ending 04/30/20XX**

Sales revenues	
Residential lamps	120,000.00
Commercial lamps	480,000.00
Total sales revenues	600,000.00
Cost of goods sold or services provided	420,000.00
Gross profit	180,000.00
Operating expenses	
Salaries	87,000.00
Rent	24,000.00
Depreciation	20,000.00
Advertising	8,000.00
Payroll tax	6,655.50
401(k)	4,350.00
Interest	4,000.00
Utilities	3,600.00
Promotion	2,000.00
Supplies	1,900.00
Insurance	1,800.00
Other	1,200.00
Total operating expenses	164,505.50
Income from operations	15,494.50
Corporate income tax	2,324.18
Net income	<u>13,170.33</u>

31. Sales of commercial lamps are four times greater than sales of residential lamps, yet the gross profit from commercial sales is only two times the gross profit of residential sales. To what do you attribute this?
- A. The profit margin of commercial lamps is higher.
 - B. The profit margin of residential lamps is higher.
 - C. The higher volume of commercial sales more than outweighs the greater cost of goods.
 - D. The higher volume of residential sales more than outweighs the greater cost of goods.

Explanation: The correct answer is **B**.

32. The largest three expenses represent a combined total of approximately 80% of total company expenses.
- A. true
 - B. false
 - C. cannot be determined without additional information

Explanation: The correct answer is **A**.

33. The company contributes 8% of employees' salaries to the 401(k) plan.
- A. true
 - B. false
 - C. cannot be determined without additional information

Explanation: The correct answer is **B**.

34. World Wide Lamps has a \$100,000 loan outstanding.
- A. true
 - B. false
 - C. cannot be determined without additional information

Explanation: The correct answer is **C**.

PERSONAL FINANCE

35. Which is the functional equivalent of a personal check?
- A. a credit card
 - B. a debit card
 - C. an overdraft protection
 - D. a money market account

Explanation: The correct answer is **B**.

36. Investment option A offers 4% APR compounded daily; investment option B offers 4% APR compounded monthly. Which statement about these investment choices is true?
- A. The APY for option A will be higher than for option B.
 - B. The APY for option B will be higher than for option A.
 - C. The APY for options A and B will be the same.
 - D. The APY for options A and B cannot be determined without additional information.

Explanation: The correct answer is **A**.

- 37.** The federal income tax is generally recognized to be a
- A. progressive tax because as people's taxable income grows, the amount paid increases although the percent remains unchanged.
 - B. progressive tax because as people's taxable income grows, the amount paid increases and the percent they pay also increases.
 - C. proportional tax because everyone with the same taxable income pays the same tax.
 - D. regressive tax because the amount that poor people pay is more important to them regardless of the percent of their taxable income they pay.

Explanation: The correct answer is **B**.

- 38.** Choose the statement about taxation that is true.
- A. Students are exempt from paying federal income tax and are not required to file a federal tax return.
 - B. Employees can decide whether or not they would like to have Social Security and Medicare payments withheld from their paychecks.
 - C. The standard deduction amount is the same for all taxpayers.
 - D. The amount of federal income tax withheld from an employee's pay is based, in part, upon information that the employee provides to the employer.

Explanation: The correct answer is **D**.

- 39.** Choose from **A** through **D** below to identify the correct statement about the time value of money.
- A. The present value of an investment cannot be determined without determining the amount of risk an investor can tolerate.
 - B. The present value of an investment is the total amount that a series of future payments is worth now.
 - C. The present value of an investment cannot be determined without calculating the expected rate of inflation during the investment period.
 - D. None of the above statements about the time value of money are correct.

Explanation: The correct answer is **B**.

- 40.** Which of the following is a true statement about a personal budget?
- A. A personal budget provides an early warning system that, when compared to actual results, can identify when something is wrong.
 - B. A personal budget is an ineffective way for people to know what they need to save and spend.
 - C. A personal budget will guarantee that individuals live within their income.
 - D. A personal budget can only be prepared by someone who has received extensive training in budget preparation.

Explanation: The correct answer is **A**.

- 41.** Which of the following is considered a benefit of investing in a 401(k) plan?
- A. Personal investments have no effect on taxable income.
 - B. Employers may opt to match an employee's retirement investment.
 - C. Employees can withdraw money at any time without penalty.
 - D. Money accumulated in a 401(k) is always free from taxation.

Explanation: The correct answer is **B**.

42. An employee's income tax withholdings are based on earnings, exemptions and
- A. social security payments
 - B. contributions to 401(k) or pension plans
 - C. Medicare payments
 - D. company bonuses

Explanation: The correct answer is **B**.

PROBLEM SOLVING

Please use the following to answer Questions 43 - 50.

Read the following passage and answer the questions that follow based on the information provided, your general knowledge, and your knowledge of business practice.

Case Study #1: International Trade

Pardo, a New York City-based manufacturer, wholesaler, and retailer of quality fashionable leather goods, has hired you. The product line for Pardo includes shoes, pocketbooks, briefcases, jackets, and accessories. Pardo has been in business for only seven years, but has established a niche market of customers who value the company's high quality and very stylish products.

Although based in New York, Pardo is truly an international firm. Product development decisions are made in New York, but most product design is done in Milan, Italy. Most products are manufactured in Hong Kong because of the low wage rates in effect there. Raw materials are purchased in the countries that offer the best prices. Leather used to manufacture many of Pardo's products is purchased in Argentina.

You have been asked to attend a meeting of the sales, marketing, and production vice presidents. They are discussing the launch of a new unisex briefcase and would like your input regarding cost and pricing issues. The marketing VP has suggested manufacturing a limited number of briefcases to test the market. Six thousand briefcases will be offered for sale in four test markets: Hong Kong, New York, Los Angeles, and Milan. Based on sales of the product, Pardo may or may not continue production.

The following information about costs was made available at the meeting:

- The cost of the leather to manufacture one briefcase, based on purchasing enough leather to manufacture a total of 6,000 briefcases, is 46.71 Argentina Pesos (ARS). On the day of the meeting, one U.S. Dollar could buy 2.9196 Argentina Pesos.
- The cost to ship the leather (enough to manufacture 6,000 briefcases) to Hong Kong is \$10,000 U.S. Dollars.
- The cost of labor to manufacture one briefcase, based on a contract to manufacture 6,000 briefcases, is 31.20 Hong Kong Dollars (HKD). On the day of the meeting, one U.S. Dollar could buy 7.7995 Hong Kong Dollars.
- The costs to ship 1,500 of the finished briefcases from Hong Kong to each of the three other test markets (in U.S. Dollars) are \$3,000 to Los Angeles, \$6,000 to New York, and \$6,000 to Milan.

43. What is the cost, in U.S. Dollars, for the amount of leather needed to manufacture one briefcase?

- A. \$.0625
- B. \$6.25
- C. \$62.50
- D. \$16

Explanation: The correct answer is **D**.

44. When determining the cost of products it brings to market, Pardo includes all costs that are directly associated with the product (direct costs). Assuming that all 6,000 briefcases are manufactured, how much of the cost of shipping the leather from Argentina to Hong Kong should be included in the cost of an individual briefcase?

- A. \$16.67
- B. \$1.67
- C. \$0.60
- D. \$6.00

Explanation: The correct answer is **B**.

45. The company uses different pricing strategies for different products. One strategy is to charge as high a price as the market will bear. Another strategy is to calculate the selling price as a multiple of the total cost of the product (cost-based pricing). If Pardo bases the selling prices on total cost, in which test market would prices be lowest?

- A. Argentina
- B. Hong Kong
- C. Milan
- D. New York

Explanation: The correct answer is **B**.

46. What are the consequences of Pardo using cost-based pricing to determine the selling prices of the briefcases?

- A. This pricing strategy does not take into consideration the standard of living of the population at each of the test markets.
- B. This pricing strategy does not take into consideration the consumer's perception of the product.
- C. This pricing strategy may result in sacrificed profit opportunities if the briefcases are sold for less than what customers would be willing to pay.
- D. all of the above

Explanation: The correct answer is **D**.

47. In order to stimulate sales of raw materials from Mainland China, the Hong Kong government has talked about the possibility of imposing a 20% tariff on all unfinished raw materials brought into the country. The proposed tariff would apply to the leather purchased in Argentina, and would be based on the price paid for the leather. If the proposed tariff were to be enacted, which of the following statements would be true?
- A. In order to maintain the same profit on each briefcase sold, Pardo would have to decrease the selling price of the briefcases.
 - B. In order to maintain the same profit on each briefcase sold, Pardo would have to increase the selling price of the briefcases.
 - C. The tariff would not influence Pardo's profits on the sales of the briefcases.
 - D. The tariff would influence only the profitability of sales made in Hong Kong.

Explanation: The correct answer is **B**.

48. You read in the morning papers that there is a banking crisis in Venezuela and several South American currencies are likely to be affected. Relative to the U.S. Dollar, you estimate that the value of the Argentina Peso (ARS) will fall from \$1 (US) = 2.9196 ARS to \$1 (US) = 3.75 ARS. If the value of the peso falls, which statement is true?
- A. The total cost of the briefcases will decrease by approximately 28%.
 - B. Since a dollar will be able to buy a greater number of pesos, the cost of the briefcases will go down.
 - C. Since a dollar will be able to buy a greater number of pesos, the cost of the briefcases will go up.
 - D. The change in the value of the Argentina Peso will not affect the cost of the briefcases.

Explanation: The correct answer is **B**.

49. The marketing vice president would like to use a New York advertising agency to develop an advertising campaign for the briefcases. What factors need to be considered when developing advertising strategies?
- A. language barriers
 - B. translation problems
 - C. local customs
 - D. all of the above

Explanation: The correct answer is **D**.

50. With which of the following statements would Pardo's product development team most likely DISAGREE?
- A. The style the Milan design team brings to the product has worldwide appeal.
 - B. Certain nations have a comparative advantage and are able to produce certain items more efficiently and at a lower cost.
 - C. Citizens should support their own countries by buying products that are domestically made.
 - D. Fads may come and go, but high-quality classic design will always be in demand.

Explanation: The correct answer is **C**