



Sample Exam

Edition 201606

Copyright © BCS, The Chartered Institute for IT 2019.

® BCS is a registered trade mark of BCS.

Copyright © EXIN Holding B.V. 2019. All rights reserved.

EXIN® is a registered trademark.

No part of this publication may be reproduced, stored, utilized or transmitted in any form or by any means, electronic, mechanical, or otherwise, without the prior written permission from EXIN.



Content

Introduction	4
Sample Exam	5
Answer Key	14
Evaluation	33

Introduction

This is the sample exam EXIN BCS Commercial Awareness Foundation. The Rules and Regulations for EXIN's examinations apply to this exam.

This exam consists of 40 multiple-choice questions. Each multiple-choice question has a number of possible answers, of which only one is the correct answer.

The maximum number of points that can be obtained for this exam is 40. Each correct answer is worth one point. If you obtain 26 points or more you will pass.

The time allowed for this exam is 60 minutes.

Good luck!

Sample Exam

1 / 40

Consider the following project cash flows:

All figures are in £000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial hardware costs	15.00					
Initial software costs	5.00					
Hardware maintenance costs	0.00	1.50	1.50	1.50	1.50	1.50
Software maintenance costs	0.00	0.50	0.50	0.50	0.50	0.50
Staff savings	0.00	4.00	4.00	4.00	5.00	5.00
Energy savings	0.00	1.00	1.00	2.00	2.00	3.00

In which year does the project breakeven?

- A Year 3.
- B Year 4.
- C Year 5.
- D The project does not break even in the timeframe under consideration.

2 / 40

Which of the following statements is correct about the Net Present Value method of assessing a proposed investment?

- A The NPV calculation does not take into account the time value of money.
- B The proposed investment is worthwhile if the NPV is positive.
- C The NPV method makes an allowance for the depreciation of assets.
- D The investment with the highest NPV is always the most profitable investment and would be adopted in all cases.

3 / 40

Consider the following project cash flows:

All figures are in £000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Discount rate (10%)		0.9091	0.8264	0.7513	0.6830	0.6209
Hardware costs	15.00	2.00	2.00	2.00	2.00	2.00
Software costs	5.00	1.00	1.00	1.00	1.00	1.00
Total costs	20.00	3.00	3.00	3.00	3.00	3.00
Staff savings	0.00	4.00	4.00	4.00	5.00	5.00
Net cash flow	-20.00	1.00	1.00	1.00	2.00	2.00
Present value	-20.00	0.91	0.83	0.75	1.37	1.24

What is the Net Present Value of this proposed project?

- A -£14,900.00.
- B -£13,000.00.
- C + £5100.00.
- D + £6,209.00.

4 / 40

Which of the following statements is correct about the payback method of investment appraisal?

- A Cash flows after the breakeven point are ignored.
- B The net present value of payback is always zero.
- C The time value of money is always taken into consideration.
- D Payback represents the Return on Investment (ROI) of a project.

5 / 40

Consider the following project cash flows:

All figures are in £000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Discount rate (10%)		0.9091	0.8264	0.7513	0.6830	0.6209
Hardware costs	20.00	2.00	2.00	2.00	2.00	2.00
Software costs	5.00	1.00	1.00	1.00	1.00	1.00
Total costs	25.00	3.00	3.00	3.00	3.00	3.00
Staff savings	10.00	5.00	5.00	8.00	8.00	10.02
Net cash flow	-15.00	2.00	2.00	5.00	5.00	7.02
Present value	-15.00	1.81	1.65	3.76	3.42	4.36

What is the IRR of this proposed project?

- A Year 5.
- B Zero.
- C £30,000.
- D 10%.

6 / 40

Which of the following is **NOT** analysed using the Cultural Web?

- A Organisation structure.
- B Routines and rituals.
- C Critical success factors.
- D Symbols.

7 / 40

Which of the following are used to calculate an organisation's cash flow?

- a. Total Sales.
 - b. Incoming Funds.
 - c. Outgoing Payments.
 - d. Total Costs.
- A b and d.
 - B a and c.
 - C a and d.
 - D b and c.

8 / 40

What is the span of control in a management structure?

- A** The extent to which a supervisor directly controls a single subordinate.
- B** The number of subordinates who report directly to a single supervisor.
- C** The levels in an effective flat organisation structure.
- D** The links in a chain-of-command.

9 / 40

Which of the following defines a cost centre?

- A** A division of an organisation that is treated as a separate business.
- B** The accounting function of an organisation that calculates costs.
- C** A division that adds cost, but not revenue, to an organisation.
- D** A cost that is central to the organisation's primary business objectives.

10 / 40

Which of the following is a basis for a divisional organisational structure design?

- a. Service.
 - b. Project.
 - c. Customer.
 - d. Process.
- A** a and c.
 - B** b and c.
 - C** a and d.
 - D** b and d.

11 / 40

Which of the following is shown as a current asset on a Statement of Financial Position (Balance Sheet)?

- A** Payables (creditors).
- B** IT equipment.
- C** Receivables (debtors).
- D** Goodwill.

12 / 40

Which of the following is a Contribution Margin?

- A** A cost accounting concept that allows a company to determine the profitability of individual products.
- B** The amount of money donated by a company to charities which may be off-set against tax.
- C** A measure of what proportion of a company's revenue remains after paying for the variable costs of production.
- D** A management accounting concept describing the tendency of management to focus on high-price products.

13 / 40

You have started a company, opened a company bank account and paid in £10,000 of your money in exchange for £10,000 worth of shares in the company.

How is this transaction represented on the company's statement of financial position balance sheet?

- A** As Loan Capital.
- B** As Share Capital.
- C** As Income.
- D** As a Non-current (Fixed) Asset.

14 / 40

What are fixed costs?

- A** Costs that stay the same when changes occur to the volume of goods or services provided.
- B** Costs that are set in the annual budget and which may not be varied during the financial year.
- C** Costs that may be excluded from budgets because they are pre-determined or 'fixed' by management in advance.
- D** Costs that are fixed to the volume of sales of a given service or goods production.

15 / 40

On an Income Statement (Profit and Loss Account), which of the following items are deducted from the operating profit in order to determine the profit attributable to shareholders?

- a. Interest Payments.
 - b. Corporation Tax.
 - c. Administrative Expenditure.
 - d. Cost of Sales.
- A** a and d.
 - B** b and c.
 - C** c and d.
 - D** a and b.

16 / 40

Which of the following items are liabilities on a Statement of Financial Position (Balance Sheet)?

- a. Share Capital.
 - b. Cash.
 - c. Loans.
 - d. Expenditure.
- A** a and d.
 - B** b and c.
 - C** a and c.
 - D** b and d.

17 / 40

Which of the following ratios measures the liquidity of a business?

- A** Operating margin.
- B** Debt/equity ratio.
- C** Return on equity ratio.
- D** Current ratio.

18 / 40

The accounts for a business show revenues (turnover) of £80m, a gross profit of £14m and administrative expenses of £8m.

What is the operating margin for this business?

- A** 0.75%.
- B** 13.33%.
- C** 7.50%.
- D** 10.00%.

19 / 40

The accounts for a business show long-term loans of £18m, total shareholders' funds of £30m and an operating profit of £6m.

What is the return on capital employed for this business?

- A** 8.00%.
- B** 12.50%.
- C** 20.00%.
- D** 33.33%.

20 / 40

What is the name of the document that summarises all the transactions that have affected the cash position of a business since the previous balance sheet?

- A** The Cash Flow Forecast.
- B** The Income Statement (Profit and Loss Account).
- C** The Statement of Cash Flows (Cash Flow Statement).
- D** The Payback Calculation.

21 / 40

Which of the following techniques is used to help understand the external influences on an organisation?

- A** Porter's 5 forces.
- B** Porter's Value Chain.
- C** Boston Consulting Group Matrix.
- D** The Leavitt Diamond.

22 / 40

What aspect concerning buyers is considered by Porter's 5-forces framework?

- A** Their perspective of the brand.
- B** Their bargaining power.
- C** Their volume of sales.
- D** Their other suppliers.

23 / 40

Which of the following is an element of a Balanced Business Scorecard?

- A** Risk assessment.
- B** Competitive actions.
- C** Market growth.
- D** Internal business process.

24 / 40

Which of the following analysis techniques will help an organisation formulate its strategy for investing in its products and services?

- A** Value chain.
- B** Boston box.
- C** Balanced scorecard.
- D** Five forces analysis.

25 / 40

Which of the following organisational structures outsources the production of component parts used to make the total product sold?

- A** A hollow organisational structure.
- B** A divisional organisation structure.
- C** A modular organisation structure.
- D** A collaborative organisational structure.

26 / 40

Which technique is used to analyse the various areas of an organisation that work together to deliver value to the end customer?

- A** Net Present Value.
- B** Value Chain Analysis.
- C** Value Proposition.
- D** Value Net Analysis.

27 / 40

On the Boston Consulting Group Matrix (Boston Box), what is the name given to a product with low market growth and high market share?

- A** Wild Cat.
- B** Dog.
- C** Cash Cow.
- D** Problem Child.

28 / 40

Charles Handy developed an approach for distinguishing between different types of organisational culture.

Which of the following is Handy's name for an organizational culture which relies on few rules and little bureaucracy thus leading to swift decisions?

- A** Person culture.
- B** Role culture.
- C** Task culture.
- D** Power culture.

29 / 40

Which of the following is a support activity within Porter's Value Chain?

- A** Inbound Logistics.
- B** Procurement.
- C** Sales and Marketing.
- D** Outbound Logistics.

30 / 40

Which of the following statements is correct about the IRR approach to investment appraisal?

- A** The IRR approach will give multiple answers when the sign of the cumulative sum of cash flows changes more than once.
- B** The IRR calculated for a potential investment is not distorted by the cost of capital.
- C** The IRR approach produces a value where the investment with the lowest IRR is always the most profitable investment.
- D** The IRR does not require an initial cash outflow (investment) in order to give a meaningful result.

31 / 40

Which of the following is a business model where work is carried out by a partner organisation based in another country?

- A** Cross-functional team.
- B** Crowdsourcing.
- C** Matrix organisation.
- D** Offshoring.

32 / 40

Which of the following characteristics apply to a Formal Group?

- a. It is task-oriented.
 - b. It is formed spontaneously.
 - c. It is consciously organised by management to achieve organisational goals.
 - d. It is developed to contribute to mutual needs satisfaction.
- A** a and b.
 - B** c and d.
 - C** a and c.
 - D** b and d.

33 / 40

What is the purpose of a budget?

- A** To provide a financial plan setting targets for the revenues and expenditures of an organisation for a specified period.
- B** To restrict the amount of spending of each department of an organisation over a given financial period.
- C** To report to external stakeholders the underlying financial position of an organisation.
- D** To calculate the difference between actual Sales and actual Expenditure.

34 / 40

Which of the following statements is correct?

- A** Staff departments do not have the authority to insist that their recommendations or advice is followed.
- B** Authority in organisations is vested in individuals, not in the organisational positions they occupy.
- C** Accountability is the obligation of a manager to instil organisational policy in his or her subordinates.
- D** In a functional organisation structure, functional specialists are not accountable to their immediate functional manager.

35 / 40

A position in a formal organisation is known as a job. What is its equivalent in an informal organisation?

- A** Task.
- B** Role.
- C** Work.
- D** Member.

36 / 40

Which of the following are advantages of centralised decision making?

- a. Lower level decisions can be made faster.
 - b. A greater uniformity in decisions is possible.
 - c. Fewer skilled (and highly paid) managers are required.
 - d. There is an increase in creativity, innovation and flexibility.
 - e. Less extensive planning and reporting is required.
- A** c and e.
 - B** a, b, and d.
 - C** a and d.
 - D** b, c and e.

37 / 40

What does the cash flow forecast enable an entrepreneur to do?

- A** Manage the outflow of cash to ensure that the business remains solvent.
- B** Ensure that company debts are reduced to the minimum necessary to operate effectively.
- C** Restrict the amount of Loan Capital compared to Investment Capital.
- D** Maximise the profitability of the organisation.

38 / 40

Which organisational structure combines a vertical structure with a horizontal overlay?

- A** Functional structure.
- B** Matrix structure.
- C** Team Based Organisation structure.
- D** Departmental structure.

39 / 40

Which one of the following would be deemed a 'Group'?

- A** All members of a Trade Union.
- B** Delegates at a conference for Business Analysts.
- C** A team of off-shore software developers.
- D** Candidates sitting a Commercial Awareness written examination.

40 / 40

Which of the following is considered both in Handy's analysis of organisational cultures and Hofstede's analysis of international cultures?

- A** Roles.
- B** Uncertainty.
- C** Power.
- D** Collectivism.

Answer Key

1 / 40

Consider the following project cash flows:

All figures are in £000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial hardware costs	15.00					
Initial software costs	5.00					
Hardware maintenance costs	0.00	1.50	1.50	1.50	1.50	1.50
Software maintenance costs	0.00	0.50	0.50	0.50	0.50	0.50
Staff savings	0.00	4.00	4.00	4.00	5.00	5.00
Energy savings	0.00	1.00	1.00	2.00	2.00	3.00

In which year does the project breakeven?

- A Year 3.
- B Year 4.
- C Year 5.
- D The project does not break even in the timeframe under consideration.

- A Incorrect.
- B Incorrect.
- C Correct.

Year	1	2	3	4	5
Cumulative Costs	22.0	24.0	26.0	28.0	30.0
Cumulative Benefits	5.0	10.0	16.0	23.0	31.0

Cumulative benefits are greater than cumulative costs in year 5 – hence Option C (Syllabus section 1.2.)

- D Incorrect.

2 / 40

Which of the following statements is correct about the Net Present Value method of assessing a proposed investment?

- A The NPV calculation does not take into account the time value of money.
- B The proposed investment is worthwhile if the NPV is positive.
- C The NPV method makes an allowance for the depreciation of assets.
- D The investment with the highest NPV is always the most profitable investment and would be adopted in all cases.

- A Incorrect.
- B Correct. The NPV decision rule states that if the NPV is positive then the proposed investment is, in theory, worthwhile (Option B) The NPV calculation applies a discount rate to take into account the time value of money (so not Option A). The discount rate is concerned with the cost of capital, not the depreciation of assets (so not Option C). The investment with the highest NPV may not be the most profitable investment. Projects with a lower NPV may be more profitable because they require less investment. A profitability index would have to be calculated to determine this (so not Option D). (Syllabus section 1.2.)
- C Incorrect.
- D Incorrect.

3 / 40

Consider the following project cash flows:

All figures are in £000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Discount rate (10%)		0.9091	0.8264	0.7513	0.6830	0.6209
Hardware costs	15.00	2.00	2.00	2.00	2.00	2.00
Software costs	5.00	1.00	1.00	1.00	1.00	1.00
Total costs	20.00	3.00	3.00	3.00	3.00	3.00
Staff savings	0.00	4.00	4.00	4.00	5.00	5.00
Net cash flow	-20.00	1.00	1.00	1.00	2.00	2.00
Present value	-20.00	0.91	0.83	0.75	1.37	1.24

What is the Net Present Value of this proposed project?

- A -£14,900.00.
 - B -£13,000.00.
 - C + £5100.00.
 - D + £6,209.00.
- A Correct. The correct value is the sum of the present value row, which is -14,900 (Option A). Option B is the sum of the undiscounted net cash flows. Option C uses present values but fails to take into account the large negative cash flow in year 0. Option D is the year 5 discount rate. (Syllabus section 1.2.)
 - B Incorrect.
 - C Incorrect.
 - D Incorrect.

4 / 40

Which of the following statements is correct about the payback method of investment appraisal?

- A Cash flows after the breakeven point are ignored.
 - B The net present value of payback is always zero.
 - C The time value of money is always taken into consideration.
 - D Payback represents the Return on Investment (ROI) of a project.
- A Correct. One of the weaknesses of the payback method is that it fails to take into account cash flows after the breakeven point has been reached (Option A). The net present value of zero is associated with the IRR, not payback (so not Option B). Payback can be used with discounting, but the approach does not *always* take into account the time value of money (so not Option C). The ROI concerns the *profit* generated by an investment. The NPV is restricted to cash flows (so not Option D). (Syllabus section 1.2.)
- B Incorrect.
 - C Incorrect.
 - D Incorrect.

5 / 40

Consider the following project cash flows:

All figures are in £000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Discount rate (10%)		0.9091	0.8264	0.7513	0.6830	0.6209
Hardware costs	20.00	2.00	2.00	2.00	2.00	2.00
Software costs	5.00	1.00	1.00	1.00	1.00	1.00
Total costs	25.00	3.00	3.00	3.00	3.00	3.00
Staff savings	10.00	5.00	5.00	8.00	8.00	10.02
Net cash flow	-15.00	2.00	2.00	5.00	5.00	7.02
Present value	-15.00	1.81	1.65	3.76	3.42	4.36

What is the IRR of this proposed project?

- A Year 5.
 - B Zero.
 - C £30,000.
 - D 10%.
- A Incorrect.
- B Incorrect.
- C Incorrect.
- D Correct. The Net Present Value of this investment is zero (the sum of the present value row) and so the discount rate used (10%) represents the IRR – Option D. Year 5 is the payback year (so not Option A). The NPV is zero (so not Option B). £30,000 is the result of mistakenly dealing with the year 0 present value as positive (so not Option C). (Syllabus section 1.2.)

6 / 40

Which of the following is **NOT** analysed using the Cultural Web?

- A Organisation structure.
- B Routines and rituals.
- C Critical success factors.
- D Symbols.

- A Incorrect.
- B Incorrect.
- C Correct. The cultural web comprises of stories, **symbols** (so not Option D), power structure, **organisational structure** (so not Option A), control systems, **rituals and routines** (so not Option B) around a central paradigm. Critical success factors, areas of performance vital to the success of the company, are not considered in the cultural web (Option C). (Syllabus section 5.3.)
- D Incorrect.

7 / 40

Which of the following are used to calculate an organisation's cash flow?

- a. Total Sales.
 - b. Incoming Funds.
 - c. Outgoing Payments.
 - d. Total Costs.
- A b and d.
 - B a and c.
 - C a and d.
 - D b and c.
- A Incorrect.
 - B Incorrect.
 - C Incorrect.
 - D Correct. Cash flows arise from changes to fixed capital, working capital and from operating income and outgoings. The latter two elements are identified in this question (incoming funds, outgoing payments) – so Option D is the correct answer. Total sales and total costs are associated with the profit and loss account – so not Options A, B and C. (Syllabus section 2.2.)

8 / 40

What is the span of control in a management structure?

- A The extent to which a supervisor directly controls a single subordinate.
- B The number of subordinates who report directly to a single supervisor.
- C The levels in an effective flat organisation structure.
- D The links in a chain-of-command.

A Incorrect.

B Correct. The span of control refers to the number of sub-ordinates who report directly to a single supervisor (Option B). The extent to which a supervisor directly controls a subordinate is the degree of control (so not Option A). The links in a chain-of-command provide an indication of the depth of an organisation structure (so not Option D) and the levels in a flat organisation structure is also related to organisational hierarchy (so not Option C). (Syllabus section 7.2.)

C Incorrect.

D Incorrect.

9 / 40

Which of the following defines a cost centre?

- A A division of an organisation that is treated as a separate business.
- B The accounting function of an organisation that calculates costs.
- C A division that adds cost, but not revenue, to an organisation.
- D A cost that is central to the organisation's primary business objectives.

A Incorrect.

B Incorrect.

C Correct. This correct answer is the definition of cost centre given by Blackstaff (Option C). A division treated as a separate business is likely to be a profit centre (so not Option A). The accounting function that calculates costs is likely to be some kind of cost or management accounting function (so not Option B). A cost centre is a different concept to costs that are central to the business (so not Option D). (Syllabus section 2.1.)

D Incorrect.

10 / 40

Which of the following is a basis for a divisional organisational structure design?

- a. Service.
 - b. Project.
 - c. Customer.
 - d. Process.
- A** a and c.
B b and c.
C a and d.
D b and d.
- A** Correct. According to Buchanan and Huczynski a divisional structure may be based around organisational functions, products, services, geographical regions or customers. Two of these are given in the question (customer and service) making Option A the correct answer. Processes are associated with horizontal organisational structures (Anand and Daft) and projects with matrix structures (so not Options B, C and D). (Syllabus section 8.1.)
B Incorrect.
C Incorrect.
D Incorrect.

11 / 40

Which of the following is shown as a current asset on a Statement of Financial Position (Balance Sheet)?

- A** Payables (creditors).
B IT equipment.
C Receivables (debtors).
D Goodwill.
- A** Incorrect.
B Incorrect.
C Correct. Creditors are a current liability on the statement of financial position (balance sheet), not a current asset (so not Option A). IT equipment is a non-current (fixed) tangible asset (so not Option B) and goodwill a non-current (fixed) intangible asset (so not Option D). Debtors are people who owe the company money; so this is a current asset (Option C). (Syllabus section 3.1.)
D Incorrect.

12 / 40

Which of the following is a Contribution Margin?

- A** A cost accounting concept that allows a company to determine the profitability of individual products.
- B** The amount of money donated by a company to charities which may be off-set against tax.
- C** A measure of what proportion of a company's revenue remains after paying for the variable costs of production.
- D** A management accounting concept describing the tendency of management to focus on high-price products.

A Correct. The contribution margin is the sales revenue of the product minus the variable cost of producing it. It is called contribution because it contributes to meeting fixed costs, and if there is any excess, it also contributes to profit (Option A). The contribution margin is not associated with contributions to charities (so not Option B). It is not concerned with total company revenue (so not Option C), nor does it focus on high price products (so not Option D). (Syllabus section 2.3.)

- B** Incorrect.
- C** Incorrect.
- D** Incorrect.

13 / 40

You have started a company, opened a company bank account and paid in £10,000 of your money in exchange for £10,000 worth of shares in the company.

How is this transaction represented on the company's statement of financial position balance sheet?

- A** As Loan Capital.
- B** As Share Capital.
- C** As Income.
- D** As a Non-current (Fixed) Asset.

A Incorrect.

B Correct. The capital invested has been exchanged for shares so it is share capital (Option B). Loan capital is for long term loans; for example, from the bank (so not Option A). Income is not shown on a statement of financial position (Balance Sheet) (so not Option C). Assets are things purchased by the company with the invested money (so not Option D). (Syllabus section 3.1.)

- C** Incorrect.
- D** Incorrect.

14 / 40

What are fixed costs?

- A** Costs that stay the same when changes occur to the volume of goods or services provided.
 - B** Costs that are set in the annual budget and which may not be varied during the financial year.
 - C** Costs that may be excluded from budgets because they are pre-determined or 'fixed' by management in advance.
 - D** Costs that are fixed to the volume of sales of a given service or goods production.
- A** Correct. Fixed costs remain the same irrespective of the volume of goods or service provided (Option A). So such costs are definitely not fixed to the volume of sales (so not Option D). Neither are they related to costs that cannot be varied in a budget (so not Option B) or to costs predetermined by management (so not Option C). (Syllabus section 2.3.)
- B** Incorrect.
- C** Incorrect.
- D** Incorrect.

15 / 40

On an Income Statement (Profit and Loss Account), which of the following items are deducted from the operating profit in order to determine the profit attributable to shareholders?

- a. Interest Payments.
 - b. Corporation Tax.
 - c. Administrative Expenditure.
 - d. Cost of Sales.
- A** a and d.
- B** b and c.
- C** c and d.
- D** a and b.
- A** Incorrect.
- B** Incorrect.
- C** Incorrect.
- D** Correct. The operating profit is the profit made before interest payments, corporation tax and dividends to shareholders. Two of these are identified in this question; interest payments and corporation tax making Option D the correct Option. The cost of sales is subtracted from revenue to determine gross profit, whilst administrative expenditure is deducted from the gross profit to arrive at the operating profit. So not Options A, B and C. (Syllabus section 3.2.)

16 / 40

Which of the following items are liabilities on a Statement of Financial Position (Balance Sheet)?

- a. Share Capital.
- b. Cash.
- c. Loans.
- d. Expenditure.

- A a and d.
- B b and c.
- C a and c.
- D b and d.

- A Incorrect.
- B Incorrect.
- C Correct. Share capital and loans are liabilities on a statement of financial position (balance sheet) (so Option C). Cash is an asset on a statement of financial position (balance sheet) and expenditure is shown on the income statement (profit & loss account), not the statement of financial position (balance sheet). So not Options A, B and D. (Syllabus section 3.1.)
- D Incorrect.

17 / 40

Which of the following ratios measures the liquidity of a business?

- A Operating margin.
- B Debt/equity ratio.
- C Return on equity ratio.
- D Current ratio.

- A Incorrect.
- B Incorrect.
- C Incorrect.
- D Correct. Liquidity is usually measured by the acid test ratio and the **current ratio** (so Option D). The operating margin and return on equity ratios are both measures of profitability (so not Options A or C). The debt/equity ratio is a measure of gearing (so not Option B). (Syllabus section 3.4.)

18 / 40

The accounts for a business show revenues (turnover) of £80m, a gross profit of £14m and administrative expenses of £8m.

What is the operating margin for this business?

- A** 0.75%.
- B** 13.33%.
- C** 7.50%.
- D** 10.00%.

- A** Incorrect.
- B** Incorrect.
- C** Correct. The operating margin is calculated by operating profit/revenue (turnover). Operating profit is £14m - £8m = £6m. Thus the operating margin is $6/80 = 7.5\%$ (Option C). Not Option A (incorrect decimal point). Not Option B (revenue (turnover) / (gross profit – administrative expenses)) or D (administrative expenses/ revenue (turnover)). (Syllabus section 3.4.)
- D** Incorrect.

19 / 40

The accounts for a business show long-term loans of £18m, total shareholders' funds of £30m and an operating profit of £6m.

What is the return on capital employed for this business?

- A** 8.00%.
- B** 12.50%.
- C** 20.00%.
- D** 33.33%.

- A** Incorrect.
- B** Correct. The ROCE is calculated by operating profit/capital employed. In the question the operating profit is £6m and the capital employed £48m (loans plus shareholder's funds). This gives a ROCE of 12.5% (Option B). Options A ((shareholder's funds + loans)/ operating profit), C (operating profit/shareholder's funds) and D (operating profit/long-term loans) are all incorrect. (Syllabus section 3.4.)
- C** Incorrect.
- D** Incorrect.

20 / 40

What is the name of the document that summarises all the transactions that have affected the cash position of a business since the previous balance sheet?

- A The Cash Flow Forecast.
- B The Income Statement (Profit and Loss Account).
- C The Statement of Cash Flows (Cash Flow Statement).
- D The Payback Calculation.

- A Incorrect.
- B Incorrect.
- C Correct. The statement of cash flows (cash flow statement) summarises all transactions that have affected the cash position since the previous statement of financial position (balance sheet) (Option C). A cash flow forecast is a prediction (so not Option A), the income statement (profit and loss) account considers all transactions that have affected *profit* since the previous statement of financial position (balance sheet) (so not Option B) and a payback calculation is concerned with investment appraisal (so not Option D). (Syllabus section 3.3.)
- D Incorrect.

21 / 40

Which of the following techniques is used to help understand the external influences on an organisation?

- A Porter's 5 forces.
- B Porter's Value Chain.
- C Boston Consulting Group Matrix.
- D The Leavitt Diamond.

- A Correct. Porter's value chain looks at *internal* organisational activities that are grouped together to deliver value to customers (so not Option B). The Boston Consulting Group matrix classifies a portfolio of companies or products (so not Option C). The Leavitt diamond is concerned with organisations as complex systems affected by objectives, structure, technology and people employed, so again adopts an internal perspective (so not Option D). In contrast Porter's Five Forces (Option A) looks at influences in the industry or marketplace environment in which the organisation operates. (Syllabus section 4.1.)
- B Incorrect.
- C Incorrect.
- D Incorrect.

22 / 40

What aspect concerning buyers is considered by Porter's 5-forces framework?

- A Their perspective of the brand.
- B Their bargaining power.
- C Their volume of sales.
- D Their other suppliers.

- A Incorrect.
- B Correct. One of the influences in Porter's Five Forces is the bargaining power of buyers (Option B). Are buyers locked into powerful suppliers, or is it relatively easy for them to switch suppliers? Buyer's perspective of the brand might be considered in a resource audit (so not Option A). Volume of sales would be *internally* reported (so not Option C). Their other suppliers might be considered in a value network analysis (so not Option D). (Syllabus section 4.1.)
- C Incorrect.
- D Incorrect.

23 / 40

Which of the following is an element of a Balanced Business Scorecard?

- A Risk assessment.
- B Competitive actions.
- C Market growth.
- D Internal business process.

- A Incorrect.
- B Incorrect.
- C Incorrect.
- D Correct. A balanced business scorecard includes an evaluation of internal business processes (Option D). A risk assessment might, amongst other things, be part of a business case (so not Option A), market growth is an axis of the Boston Box (so not Option C) and competitive actions in the industry are addressed by Porter's Five Forces framework (so not Option B). (Syllabus section 5.2.)

24 / 40

Which of the following analysis techniques will help an organisation formulate its strategy for investing in its products and services?

- A Value chain.
- B Boston box.
- C Balanced scorecard.
- D Five forces analysis.

- A Incorrect.
- B Correct. The Boston box or Boston Consulting Group matrix is specifically designed to aid portfolio management (Option B). The value chain is focused on analysing how an organisation delivers value to its customers (so not Option A). The Balanced Scorecard is primarily concerned with defining a framework of performance measures for the organisation (so not Option C) and Porter's Five Forces analyses the influences and pressures on an organisation in a specific industry or business domain (so not Option D). (Syllabus section 4.2.)
- C Incorrect.
- D Incorrect.

25 / 40

Which of the following organisational structures outsources the production of component parts used to make the total product sold?

- A A hollow organisational structure.
- B A divisional organisation structure.
- C A modular organisation structure.
- D A collaborative organisational structure.

- A Incorrect.
- B Incorrect.
- C Correct. Buchanan and Huczynski categorise different types of 'boundaryless' organisations. A hollow organisational structure outsources processes (so not Option A) whilst a modular organisation outsources the production of component parts (Option C). A collaborative organisation structure is concerned with the *nature* of the relationships that the organisation has with its suppliers, competitors and third parties (so not Option D). A divisional organisation structure is concerned with defining appropriate functional departments, not explicitly with how outsourcing should be performed (so not Option B). (Syllabus section 8.2.)
- D Incorrect.

26 / 40

Which technique is used to analyse the various areas of an organisation that work together to deliver value to the end customer?

- A Net Present Value.
- B Value Chain Analysis.
- C Value Proposition.
- D Value Net Analysis.

- A Correct. Value chain analysis is used to analyse how the various areas of an organisation combine to deliver value to a customer (Option B). The Net Present Value is a technique in investment appraisal (so not Option A). The value proposition considers what the customers of the organisation consider to be important (so not Option C). Value net analysis also considers how external organisations can assist in the delivery of value to the end customer (so not Option D). (Syllabus section 4.3.)
- B Incorrect.
- C Incorrect.
- D Incorrect.

27 / 40

On the Boston Consulting Group Matrix (Boston Box), what is the name given to a product with low market growth and high market share?

- A Wild Cat.
- B Dog.
- C Cash Cow.
- D Problem Child.

- A Incorrect.
- B Incorrect.
- C Correct. In the Boston Box a product with low market growth and high market share is classified as a cash cow (Option C). A product with high market growth and low market share is a wild cat or problem child (so not Options A or D), a product with low market share and low market growth is a dog (so not Option B). (Syllabus section 4.2.)
- D Incorrect.

28 / 40

Charles Handy developed an approach for distinguishing between different types of organisational culture.

Which of the following is Handy's name for an organizational culture which relies on few rules and little bureaucracy thus leading to swift decisions?

- A Person culture.
- B Role culture.
- C Task culture.
- D Power culture.

- A Incorrect.
- B Incorrect.
- C Incorrect.
- D Correct. A power culture centres on a dominant individual who controls through a minimum of rules and little bureaucracy (Option D). A person culture focuses on individuals who eventually come to control decisions through a process of mutual consent (so not Option A). Role cultures emphasise rules and procedures and this culture is a characteristic of a bureaucracy (so not Option B). A task structure is job or project oriented, where standards and rules are important (so not Option C). (Syllabus section 5.3.)

29 / 40

Which of the following is a support activity within Porter's Value Chain?

- A Inbound Logistics.
- B Procurement.
- C Sales and Marketing.
- D Outbound Logistics.

- A Incorrect.
- B Correct. Porter's value chain distinguishes between primary and secondary activities. Procurement is a support activity (Option B). Inbound logistics, outbound logistics and sales and marketing are all primary activities on the value chain (so not Options A, C and D). (Syllabus section 4.3.)
- C Incorrect.
- D Incorrect.

30 / 40

Which of the following statements is correct about the IRR approach to investment appraisal?

- A The IRR approach will give multiple answers when the sign of the cumulative sum of cash flows changes more than once.
 - B The IRR calculated for a potential investment is not distorted by the cost of capital.
 - C The IRR approach produces a value where the investment with the lowest IRR is always the most profitable investment.
 - D The IRR does not require an initial cash outflow (investment) in order to give a meaningful result.
- A Correct. One of the problems of the IRR approach identified by Blackstaff is that the IRR will give multiple values if the sign of the cumulative sum changes more than once (Option A). The IRR is affected by the cost of capital as this is the point of the discount rate (so not Option B). The investment with the **highest** IRR is likely (but not *always*) to be the most profitable investment (so not Option C). Finally, the IRR does require an initial cash outflow (investment) to give a meaningful result (so not Option D). (Syllabus section 1.2.)
- B Incorrect.
 - C Incorrect.
 - D Incorrect.

31 / 40

Which of the following is a business model where work is carried out by a partner organisation based in another country?

- A Cross-functional team.
 - B Crowdsourcing.
 - C Matrix organisation.
 - D Offshoring.
- A Incorrect.
- B Incorrect.
- C Incorrect.
- D Correct. Buchanan and Huczynski define offshoring as contracting with *external partners* in a *different country* to supply products and services that were previously supplied internally (Option D). Crowdsourcing does concern outsourcing but the group that participates is not a partner and need not be in a different country (so not Option B). A matrix organisation is a type of self-contained organisational structure and is not directly related to external companies or contracting (so not Option C). Crossfunctional teams are a form of project team, again with no obligatory relationship with outsourcing or the country where work is carried out (so not Option A). (Syllabus section 8.2.)

32 / 40

Which of the following characteristics apply to a Formal Group?

- a. It is task-oriented.
 - b. It is formed spontaneously.
 - c. It is consciously organised by management to achieve organisational goals.
 - d. It is developed to contribute to mutual needs satisfaction.
- A** a and b.
B c and d.
C a and c.
D b and d.
- A** Incorrect.
B Incorrect.
C Correct. Formal groups have a number of characteristics. They are *task oriented* and are *consciously organised by management to achieve organisational goals* (a and c – Option C). In contrast **informal groups** are *formed spontaneously* and *contribute to mutual needs satisfaction* (so not Options A, B and D). (Syllabus section 6.2.)
D Incorrect.

33 / 40

What is the purpose of a budget?

- a. To provide a financial plan setting targets for the revenues and expenditures of an organisation for a specified period.
 - b. To restrict the amount of spending of each department of an organisation over a given financial period.
 - c. To report to external stakeholders the underlying financial position of an organisation.
 - d. To calculate the difference between actual Sales and actual Expenditure.
- A** Correct. It is important to recognise that budgets are plans are not forecasts (Option A). They do not report the financial position of an organisation to external stakeholders. That is the balance sheet (so not Option C). The difference between sales and expenditure is discernible in the profit & loss statement (so not Option D). Option B is a limited populist view of the purpose of a budget (so not Option B). (Syllabus section 2.1.)
B Incorrect.
C Incorrect.
D Incorrect.

34 / 40

Which of the following statements is correct?

- A Staff departments do not have the authority to insist that their recommendations or advice is followed.
- B Authority in organisations is vested in individuals, not in the organisational positions they occupy.
- C Accountability is the obligation of a manager to instil organisational policy in his or her subordinates.
- D In a functional organisation structure, functional specialists are not accountable to their immediate functional manager.

- A Correct. This question is concerned with line, staff and functional relationships. In an organisation, authority is vested in *organisational positions not individuals*, (so not Option B). Accountability is the obligation of a *subordinate* to report back (so not Option C). In a functional organisation structure functional specialists *are* accountable to their functional manager (so not D). Option A is correct; staff departments do not have the authority to insist that their recommendations are followed. (Syllabus section 7.3.)
- B Incorrect.
- C Incorrect.
- D Incorrect.

35 / 40

A position in a formal organisation is known as a job.

What is its equivalent in an informal organisation?

- A Task.
- B Role.
- C Work.
- D Member.

- A Incorrect.
- B Correct. Buchanan and Huczynski compare the characteristics of formal and informal organisation. In their comparison a role is equated to a job (Option B). All other answers are plausible alternatives which are wrong (so not Options A, C and D). (Syllabus section 6.2.)
- C Incorrect.
- D Incorrect.

36 / 40

Which of the following are advantages of centralised decision making?

- a. Lower level decisions can be made faster.
- b. A greater uniformity in decisions is possible.
- c. Fewer skilled (and highly paid) managers are required.
- d. There is an increase in creativity, innovation and flexibility.
- e. Less extensive planning and reporting is required.

- A c and e.
- B a, b, and d.
- C a and d.
- D b, c and e.

- A Incorrect.
- B Incorrect.
- C Incorrect.
- D Correct. Lower level decisions can be made faster (a) and increases in creativity, innovation and flexibility (d) are advantages of *decentralisation*, not centralisation. Thus Option D is correct and Options A, B and C are incorrect. (Syllabus section 7.5.)

37 / 40

What does the cash flow forecast enable an entrepreneur to do?

- A Manage the outflow of cash to ensure that the business remains solvent.
- B Ensure that company debts are reduced to the minimum necessary to operate effectively.
- C Restrict the amount of Loan Capital compared to Investment Capital.
- D Maximise the profitability of the organisation.

- A Correct. In itself a cash flow forecast does not allow an entrepreneur to ensure that company debts are reduced to a minimum. It simply shows when those debts should be settled (so not Option B). The cash flow forecast has nothing to do with the financing of the organisation (so not Option C). It also has no bearing on the overall profitability of the organisation (so not Option D). However it should help an entrepreneur manage cash outflow to ensure that the company remains solvent (Option A). (Syllabus section 2.2.)
- B Incorrect.
- C Incorrect.
- D Incorrect.

38 / 40

Which organisational structure combines a vertical structure with a horizontal overlay?

- A Functional structure.
- B Matrix structure.
- C Team Based Organisation structure.
- D Departmental structure.

- A Incorrect.
- B Correct. A functional structure is a vertical structure, which may be the basis of departments (so not Options A and D). The horizontal overlay is provided in a matrix structure (Option B). A team-based structure is characterised by horizontal communication (so not Option C). (Syllabus section 8.1.)
- C Incorrect.
- D Incorrect.

39 / 40

Which one of the following would be deemed a 'Group'?

- A All members of a Trade Union.
- B Delegates at a conference for Business Analysts.
- C A team of off-shore software developers.
- D Candidates sitting a Commercial Awareness written examination.

- A Incorrect.
- B Incorrect.
- C Correct. A group has to have certain defined characteristics. Delegates at a Business Analysis conference and candidates sitting a Commercial Awareness examination are aggregates – a collection of unrelated people who happen to be in close physical proximity for a short space of time (so not Options B and D). Buchanan and Huczynski state that trade unions also fail to meet the definition of a group because all of its members do not interact with each other and they are not aware of each other (so not Option A). In contrast a team of off-shore software developers meet all the criteria of a group (Option C). (Syllabus section 6.1)
- D Incorrect.

40 / 40

Which of the following is considered both in Handy's analysis of organisational cultures and Hofstede's analysis of international cultures?

- A Roles.
- B Uncertainty.
- C Power.
- D Collectivism.

- A Incorrect.
- B Incorrect.
- C Correct. Both Handy and Hofstede included power in their cultural analysis framework. Uncertainty and collectivism only appear in Hofstede (so not Options B and D). Roles are only considered by Handy (so not Option A). (Syllabus section 5.3.)
- D Incorrect.

Evaluation

The table below shows the correct answers to the questions in this sample exam.

Question	Answer	Question	Answer
1	C	21	A
2	B	22	B
3	A	23	D
4	A	24	B
5	D	25	C
6	C	26	A
7	D	27	C
8	B	28	D
9	C	29	B
10	A	30	A
11	C	31	D
12	A	32	C
13	B	33	A
14	A	34	A
15	D	35	B
16	C	36	D
17	D	37	A
18	C	38	B
19	B	39	C
20	C	40	C

Contact EXIN

www.exin.com

