

# ETS Major Field Test Business Practice Test (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. What term describes the act of sharing concerns about wrongdoing within an organization?**
  - A. Insider trading**
  - B. Whistle-blowing**
  - C. Accountability**
  - D. Corporate restructuring**
- 2. Which of the following is not one of the 4 P's of Marketing?**
  - A. Promotion**
  - B. Place**
  - C. People**
  - D. Price**
- 3. What defines unsought products in consumer behavior?**
  - A. Products that consumers frequently buy**
  - B. Products that are not known to consumers or not actively sought**
  - C. Products purchased solely for convenience**
  - D. Products available in many stores**
- 4. What role do secondary stakeholders typically play?**
  - A. They have a direct and ongoing interest in the firm's operations**
  - B. They engage in transactions that are critical for survival**
  - C. They may influence public perception but are not essential**
  - D. They actively participate in decision-making processes**
- 5. Which ratio measures the percentage return through dividends in relation to stock price?**
  - A. Dividend Pay-out Ratio**
  - B. Total Asset Turnover Ratio**
  - C. Dividend Yield Ratio**
  - D. Price-Earnings Ratio**

- 6. Which theory focuses on employee loyalty and well-being, popularized in the 1980s?**
- A. Theory X**
  - B. Theory Y**
  - C. Theory Z**
  - D. Equity Theory**
- 7. What is the basic inventory equation for goods?**
- A. Beginning Inventory - Purchases = Goods**
  - B. Beginning Inventory + Purchases = Goods**
  - C. Purchases - Goods = Beginning Inventory**
  - D. Goods - Beginning Inventory = Purchases**
- 8. What term refers to strategies that involve significant changes to a company's operations to improve its stability?**
- A. Market Development**
  - B. Retrenchment**
  - C. Joint Venture**
  - D. Bankruptcy**
- 9. Which principle underscores the importance of promoting team spirit within an organization?**
- A. Equity**
  - B. Esprit de Corps**
  - C. Remuneration**
  - D. Order**
- 10. What formula is used to calculate the gross profit rate?**
- A. Gross Profit / Total Costs**
  - B. Gross Profit / Net Sales**
  - C. Net Income / Sales Price**
  - D. Net Sales / Gross Revenue**

## **Answers**

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1. B
2. C
3. B
4. C
5. C
6. C
7. B
8. B
9. B
10. B

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## **Explanations**

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**1. What term describes the act of sharing concerns about wrongdoing within an organization?**

**A. Insider trading**

**B. Whistle-blowing**

**C. Accountability**

**D. Corporate restructuring**

Whistle-blowing refers to the act of reporting unethical, illegal, or harmful activities or practices occurring within an organization. This can involve disclosing concerns regarding misconduct to authorities, management, or the public, aiming to expose wrongdoing and promote accountability. It serves as a critical mechanism for fostering transparency and ethical behavior within organizations, encouraging individuals to speak out when they witness unethical actions. Regarding the other terms, insider trading pertains to buying or selling securities based on non-public, material information about a company, which does not involve reporting wrongdoing. Accountability relates to the responsibility of individuals or organizations to account for their actions, and while it is important for ethical behavior, it does not directly capture the act of reporting concerns. Corporate restructuring involves reorganizing a company's structure, but does not encompass the concept of reporting unethical practices. Thus, whistle-blowing is the most accurate term for the act of sharing concerns about wrongdoing within an organization.

**2. Which of the following is not one of the 4 P's of Marketing?**

**A. Promotion**

**B. Place**

**C. People**

**D. Price**

The concept of the 4 P's of Marketing is a foundational model in marketing that includes Promotion, Place, Price, and Product. Each of these elements plays a crucial role in developing a marketing strategy. Promotion refers to the activities that communicate the product's features and benefits and persuade customers to purchase. Place involves the channel through which the product is distributed to reach customers effectively. Price denotes the amount of money customers must pay to acquire the product, influencing its competitiveness and perceived value. The term "People," while important in various marketing contexts (especially in service marketing and service industries), is not one of the original 4 P's. The inclusion of "People" is more often associated with an expanded marketing mix, such as the 7 P's, which also includes Physical evidence and Process. Therefore, the inclusion of "People" as an answer demonstrates a differentiation from the core elements of the 4 P's framework.

### 3. What defines unsought products in consumer behavior?

- A. Products that consumers frequently buy
- B. Products that are not known to consumers or not actively sought**
- C. Products purchased solely for convenience
- D. Products available in many stores

Unsought products are defined by their nature of being neither known nor actively sought by consumers. This category includes items that consumers may not consider until the need arises, such as life insurance, funeral services, or emergency medical services. The lack of awareness or recognition of these products means that marketers often have to employ unique strategies to make consumers aware of their existence and benefits. This contrasts sharply with other types of products, such as convenience goods or shopping goods, which consumers seek out more regularly based on familiarity or necessity. Understanding this concept is crucial in consumer behavior and marketing strategies, as it emphasizes the importance of educating potential customers about products they may not realize they need.

### 4. What role do secondary stakeholders typically play?

- A. They have a direct and ongoing interest in the firm's operations
- B. They engage in transactions that are critical for survival
- C. They may influence public perception but are not essential**
- D. They actively participate in decision-making processes

Secondary stakeholders typically hold a different position than primary stakeholders when it comes to their involvement with a firm. While primary stakeholders have a direct and ongoing interest in a company's operations—such as employees, customers, and investors—secondary stakeholders are more peripheral. They do not have the same level of dependency on a firm's outputs or survival but can still significantly influence public perception and the broader environment in which the firm operates. For example, these might include community groups, the media, interest groups, and non-governmental organizations. Their impact can be substantial, affecting how a firm is viewed and how it shapes its policies and practices. However, they are not essential to the day-to-day functionality or decision-making processes of the company, which is why the role they play is primarily one of influence rather than direct engagement or transactional support.

**5. Which ratio measures the percentage return through dividends in relation to stock price?**

- A. Dividend Pay-out Ratio**
- B. Total Asset Turnover Ratio**
- C. Dividend Yield Ratio**
- D. Price-Earnings Ratio**

The Dividend Yield Ratio is the correct choice as it specifically measures the percentage return that investors receive through dividends relative to the stock price. This ratio provides insight into the income generated from an investment in stock, allowing investors to understand the cash flow they can expect from dividends in relation to the price they are paying for the stock. It is calculated by dividing the annual dividends per share by the price per share, giving a clear indicator of the yield that a stock provides compared to its market price. In contrast, the Dividend Pay-out Ratio indicates the proportion of earnings that are distributed to shareholders as dividends but does not directly measure the return in relation to stock price. The Total Asset Turnover Ratio relates to how efficiently a company utilizes its assets to generate sales and is not concerned with dividends or stock price. The Price-Earnings Ratio, while valuable for assessing stock valuation, compares a company's current share price to its earnings per share rather than dealing with dividends directly.

**6. Which theory focuses on employee loyalty and well-being, popularized in the 1980s?**

- A. Theory X**
- B. Theory Y**
- C. Theory Z**
- D. Equity Theory**

Theory Z emphasizes employee loyalty, well-being, and a holistic approach to management, which became popularized in the 1980s through the work of William Ouchi. This theory suggests that organizations can foster better performance and increased employee satisfaction by promoting a strong company culture that values trust, teamwork, and long-term employment. Unlike the more traditional approaches that often focus solely on productivity and profit, Theory Z advocates for practices such as collective decision-making, open communication, and an environment where employees are encouraged to take an active role in the development of the organization. The theory stands in contrast to Theory X and Theory Y, which primarily focus on the perception of employees in relation to their motivation and management's assumptions about them. Equity Theory, on the other hand, deals with fairness and perceptions of input-output balance in professional relationships rather than the broader cultural and relational aspects emphasized by Theory Z. Thus, Theory Z's focus on employee commitment and well-being aligns with the specific characteristics sought in the question.

**7. What is the basic inventory equation for goods?**

- A. Beginning Inventory - Purchases = Goods**
- B. Beginning Inventory + Purchases = Goods**
- C. Purchases - Goods = Beginning Inventory**
- D. Goods - Beginning Inventory = Purchases**

The basic inventory equation for goods is represented by adding beginning inventory to purchases, resulting in the total amount of goods available for sale. This equation reflects how a business tracks its inventory levels. Beginning inventory indicates the stock of goods on hand at the start of a given period, while purchases account for any additional inventory acquired during that period. By summing these two components, a business can determine the total inventory available before any sales are made. This is foundational to inventory management as it helps businesses assess their capacity to meet demand and manage supply effectively. It is crucial for maintaining accurate financial records, forecasting, and ensuring that inventory levels align with sales projections.

**8. What term refers to strategies that involve significant changes to a company's operations to improve its stability?**

- A. Market Development**
- B. Retrenchment**
- C. Joint Venture**
- D. Bankruptcy**

Retrenchment refers to strategies that involve significant changes to a company's operations, usually in response to financial difficulties or to enhance operational efficiency. This approach typically includes reducing costs, downsizing operations, or divesting non-core assets to stabilize the company and streamline its focus on core activities. By implementing retrenchment strategies, a company aims to achieve a more sustainable operational structure, improve profitability, and regain competitive advantage. This may involve laying off employees, cutting production, or stopping unprofitable product lines. The goal is to emerge from a weakened position with a stronger foundation. In contrast, the other terms—market development, joint venture, and bankruptcy—do not accurately describe the intent of significant operational changes aimed specifically at stability. Market development focuses on entering new markets with existing products, joint ventures involve collaboration with other companies, and bankruptcy is a legal process undertaken when a company cannot meet its financial obligations. Therefore, retrenchment stands out as the term that encapsulates strategies aimed at making substantial operational modifications for improved stability.

**9. Which principle underscores the importance of promoting team spirit within an organization?**

- A. Equity**
- B. Esprit de Corps**
- C. Remuneration**
- D. Order**

The principle that underscores the importance of promoting team spirit within an organization is Esprit de Corps. This concept emphasizes the need for harmony, unity, and morale among team members, fostering a sense of belonging and collaboration. When team spirit is strong, individuals are more likely to work together effectively, leading to enhanced communication, cooperation, and overall productivity. In the context of management and organizational behavior, promoting Esprit de Corps helps create a supportive environment where members feel valued and motivated, which can ultimately contribute to achieving organizational goals. This principle supports the idea that a cohesive team is more effective than a group of individuals working in isolation, as it enhances innovation and problem-solving capabilities by leveraging the collective strengths of the team.

**10. What formula is used to calculate the gross profit rate?**

- A. Gross Profit / Total Costs**
- B. Gross Profit / Net Sales**
- C. Net Income / Sales Price**
- D. Net Sales / Gross Revenue**

The gross profit rate is calculated by dividing gross profit by net sales. Gross profit is determined by subtracting the cost of goods sold (COGS) from total revenues. The resulting figure shows how much profit a company makes from its sales after accounting for the costs directly associated with producing those goods or services. Net sales indicates the amount of revenue from sales after deducting any returns, allowances, and discounts. By using net sales as the denominator, the gross profit rate provides a clearer picture of the profitability of a company's core operations, as it reflects only the operational revenue generated from sales. This ratio is important for assessing a company's financial health and efficiency in managing production costs, revealing how much profit is retained from each sales dollar. Other formulas presented do not correctly define the gross profit rate and represent different metrics or financial ratios that do not directly relate to gross profit as a function of sales revenue.