NCEA Level 2 Business Studies Practice Test (Sample)

Study Guide

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Questions

1. **What is one outcome of conducting an ethical audit?**
   - A. Improving customer loyalty
   - B. Reducing marketing costs
   - C. Ensuring compliance with ethical standards
   - D. Increasing employee turnover

2. **Vroom's Expectancy Theory explains that people assess what before committing to an action?**
   - A. The cost of effort
   - B. The potential reward
   - C. The risk involved
   - D. The time required

3. **What method incorporates different sectors of the economy into the business?**
   - A. Segmentation
   - B. Integration
   - C. Diversification
   - D. Outsourcing

4. **What is the main risk associated with diseconomies of scale?**
   - A. Decreased employee morale
   - B. Increased regulatory scrutiny
   - C. Rising operational costs
   - D. Reduced product quality

5. **What is the term for when workers deliberately reduce their work speed while completing tasks?**
   - A. Strike
   - B. Work to Rule
   - C. Go Slow
   - D. Blacking

6. **Which term describes behavior that aligns with accepted principles of right and wrong in society?**
   - **A. Ethical Behaviour**
   - **B. Unethical Behaviour**
   - **C. Amoral Behaviour**
   - **D. Legal Behaviour**

7. **Which theory describes managers as being more democratic and trusting?**
   - **A. McGregor's Theory Y**
   - **B. McGregor's Theory X**
   - **C. Herzberg's Hygiene Factors**
   - **D. Mayo's Theory**

8. **What is the main purpose of the Commerce Commission?**
   - **A. To regulate trade between countries**
   - **B. To ensure fair competition**
   - **C. To calculate GDP**
   - **D. To manage public services**

9. **What is the process called when a business reduces the number of workers it employs?**
   - **A. Downsizing**
   - **B. Outsourcing**
   - **C. Restructuring**
   - **D. Growth**

10. **Which document outlines the flow of cash into and out of a business over a specific period of time?**
    - **A. Balance Sheet**
    - **B. Profit and Loss Statement**
    - **C. Cash Flow Statement**
    - **D. Financial Forecast**

Answers

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

Explanations

1. What is one outcome of conducting an ethical audit?

A. Improving customer loyalty

B. Reducing marketing costs

C. Ensuring compliance with ethical standards

D. Increasing employee turnover

Conducting an ethical audit primarily leads to ensuring compliance with ethical standards. This process involves a comprehensive evaluation of a company’s practices and policies to verify that they align with established ethical guidelines and legal requirements. By systematically reviewing areas such as labor practices, environmental impact, and fair trade, organizations can identify gaps or areas where they may fall short of ethical expectations. Ensuring compliance not only helps avoid legal repercussions or negative publicity but also fosters a culture of integrity within the organization. This audit establishes a framework for ethical decision-making and accountability, enabling the business to build trust with stakeholders, including customers, employees, and investors. In essence, by committing to ethical standards through an audit, a company positions itself as responsible and trustworthy, which is critical in today's socially aware marketplace. Improving customer loyalty and reducing marketing costs might be indirect benefits of conducting an ethical audit, but they are not the primary outcomes. Likewise, increasing employee turnover is generally considered a negative outcome and not a goal associated with an ethical audit. Overall, the main focus of the audit is on ensuring that ethical standards are met and upheld throughout the organization.

2. Vroom's Expectancy Theory explains that people assess what before committing to an action?

A. The cost of effort

B. The potential reward

C. The risk involved

D. The time required

Vroom's Expectancy Theory posits that individuals evaluate the expected outcomes of their efforts before deciding to commit to a particular action. This decision-making process revolves around the potential reward they anticipate from their actions. In other words, individuals consider how likely it is that their efforts will lead to desirable outcomes, which can be understood as the potential rewards they expect, such as achieving a goal, receiving recognition, or earning a promotion. When people perceive a high probability of receiving substantial rewards from their efforts, they are more likely to invest their time and resources into that action. Conversely, if the potential rewards are seen as minimal or unattainable, individuals may be less motivated to exert effort. In the context of the incorrect options, while the cost of effort, risk involved, and time required are factors that can influence decision-making, they do not directly align with Vroom’s central focus on the evaluation of potential rewards as a primary motivator for actions. Instead, Vroom emphasizes that the anticipation of positive outcomes (the potential reward) is a key driver in whether individuals choose to engage in a particular behavior.

3. What method incorporates different sectors of the economy into the business?

A. Segmentation

<u>B. Integration</u>

C. Diversification

D. Outsourcing

The correct answer is integration. This method involves bringing together different sectors of the economy or parts of the supply chain into a single business operation. Integration can take on various forms, such as horizontal integration, where a company acquires or merges with competitors in the same industry, or vertical integration, where a company either takes control of its suppliers or its distribution channels. By incorporating different sectors, a business can achieve greater control over its operations, reduce costs, increase efficiencies, and potentially enhance its market position. Integration helps to streamline processes and often leads to the consolidation of resources, which can result in improved product offerings or more reliable supply chains. In contrast, segmentation refers to the process of dividing a market into distinct groups with common needs or characteristics, which relates to target marketing rather than integrating different sectors. Diversification involves expanding into new products or markets, which, while beneficial for growth, does not directly address the integration of different sectors. Outsourcing refers to the practice of obtaining goods or services from external sources instead of producing them in-house, focusing more on cost efficiency than on sector integration.

4. What is the main risk associated with diseconomies of scale?

A. Decreased employee morale

B. Increased regulatory scrutiny

<u>C. Rising operational costs</u>

D. Reduced product quality

The main risk associated with diseconomies of scale is rising operational costs. As a company grows and increases production, it can encounter inefficiencies that lead to higher costs per unit produced. This often occurs due to factors such as increased complexity in coordination, communication challenges, and diminished employee productivity. For instance, larger organizations may struggle with bureaucracy, leading to slower decision-making processes and wasted resources. Additionally, logistical complexities can increase transportation and production expenses, as managing a more extensive supply chain often requires more resources. The balance of scale advantages can tip into disadvantages, resulting in increased prices that can affect competitiveness. Understanding this concept is crucial for businesses that aim to expand while maintaining efficiency and profitability.

5. What is the term for when workers deliberately reduce their work speed while completing tasks?

- A. Strike
- B. Work to Rule
- C. Go Slow
- D. Blacking

The term for when workers deliberately reduce their work speed while completing tasks is known as "Go Slow." This tactic is often used as a form of industrial action where employees intentionally work at a slower pace to protest against working conditions, management decisions, or to leverage negotiations without fully stopping work, as would happen in a strike. This method can place pressure on employers by decreasing productivity while still fulfilling the basic requirements of their job roles, making it an effective strategy for workers aiming for change without entering a full-blown conflict. Understanding this concept is crucial in the context of labor relations and employee rights, as it highlights the various ways employees attempt to assert their influence in the workplace.

6. Which term describes behavior that aligns with accepted principles of right and wrong in society?

- A. Ethical Behaviour
- B. Unethical Behaviour
- C. Amoral Behaviour
- D. Legal Behaviour

The correct term that describes behavior aligning with accepted principles of right and wrong in society is "Ethical Behaviour." This term is fundamental in business studies as it signifies actions that are considered morally right and adhere to societal norms and values. Ethical behavior reflects integrity and fairness, which are essential for fostering trust and cooperation among individuals and organizations. This principle not only applies to personal conduct but also extends to business practices, influencing decision-making, corporate reputation, and relationships with stakeholders. In contrast, unethical behavior refers to actions that contradict societal norms and ethical standards, often leading to harm or loss of trust. Amoral behavior indicates a lack of moral sense, where individuals do not consider the ethical implications of their actions. Lastly, legal behavior pertains to actions that comply with laws and regulations, but these may not necessarily be ethical; something can be legal yet still be viewed as wrong within a societal context. Together, these terms help differentiate various approaches to morality in both personal and organizational settings.

7. Which theory describes managers as being more democratic and trusting?

A. McGregor's Theory Y

B. McGregor's Theory X

C. Herzberg's Hygiene Factors

D. Mayo's Theory

The correct choice, McGregor's Theory Y, describes a management style that is democratic and trusting. This theory posits that managers who adopt a Theory Y approach view their employees as responsible and self-motivated individuals who want to contribute to the organization. As a result, these managers encourage participation in decision-making processes and foster an environment where employees feel valued and empowered. This contrasts sharply with Theory X, where managers see employees as inherently unmotivated and needing direct supervision. By focusing on collaboration and trust, Theory Y promotes a positive workplace culture, leading to higher morale and productivity. This theory aligns with modern management practices that emphasize employee engagement and the importance of fostering a supportive environment for growth and creativity. Understanding Theory Y helps in recognizing the effectiveness of participative management styles that enhance employee satisfaction and performance, contributing to overall organizational success.

8. What is the main purpose of the Commerce Commission?

A. To regulate trade between countries

B. To ensure fair competition

C. To calculate GDP

D. To manage public services

The main purpose of the Commerce Commission is to ensure fair competition in the marketplace. This regulatory body is responsible for promoting a competitive environment among businesses, which is essential for fostering innovation, improving product quality, and providing consumers with better choices and prices. By preventing anti-competitive practices, such as monopolies and cartels, the Commerce Commission helps to create an equitable market where multiple businesses can thrive and compete. This focus on fair competition contributes to economic efficiency and benefits consumers by making goods and services more accessible and affordable. The role of the Commerce Commission is vital in maintaining market integrity, allowing for healthy competition that leads to overall economic growth.

9. What is the process called when a business reduces the number of workers it employs?

A. Downsizing

B. Outsourcing

C. Restructuring

D. Growth

The process of reducing the number of workers a business employs is called downsizing. This typically occurs as a strategy to improve efficiency, cut costs, or respond to changes in market conditions. Downsizing often involves eliminating positions as a way to streamline operations and maintain competitiveness. Businesses may choose to downsize for various reasons, including financial pressures, technological advancements, or shifts in business focus. In contrast, outsourcing refers to contracting out business functions to external providers, which does not necessarily mean the business is reducing its workforce but rather reallocating tasks. Restructuring can involve changes to the organization that may or may not include workforce reduction, focusing instead on altering the overall structure and operations of the business. Growth, on the other hand, entails expanding a company's operations or workforce, so it is the opposite of downsizing. Therefore, downsizing is the most appropriate term for the process where a business decreases its number of employees.

10. Which document outlines the flow of cash into and out of a business over a specific period of time?

A. Balance Sheet

B. Profit and Loss Statement

C. Cash Flow Statement

D. Financial Forecast

The Cash Flow Statement is the document that specifically outlines the flow of cash into and out of a business over a particular period of time. It provides detailed information on the cash generated from operating activities, investments, and financing. This document is essential for understanding a company's liquidity position and its ability to meet short-term obligations, as it clearly shows when cash is received and when it is spent. In contrast, the Balance Sheet reveals the financial position of a business at a single point in time, capturing its assets, liabilities, and equity but does not track cash movement over time. The Profit and Loss Statement, on the other hand, summarizes revenues and expenses over a certain period, providing insight into profitability, but it also does not detail cash flows. Lastly, a Financial Forecast includes predictions about future revenues and expenses but does not necessarily document actual cash movements. Therefore, the Cash Flow Statement is uniquely positioned to illustrate the actual cash flow necessary for assessing a business’s financial health.