BUSINESS-ENVIRONMENT-AND-CONCEPTS Q&As

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QUESTION 1

Under the Revised Uniform Limited Partnership Act and in the absence of a contrary agreement by the partners, which of the following events is most likely to dissolve a limited partnership?

A. A majority vote in favor by the partners.

B. A two-thirds vote in favor by the partners.

C. A withdrawal of a majority of the limited partners.

D. Withdrawal of the only general partner.

Correct Answer: D

Choice "d" is correct. Absent a contrary agreement of the partners, a limited partnership can be dissolved by written consent of all the general partners, withdrawal or death of a general partner, or judicial decree. Thus, withdrawal of the only general partner would cause dissolution. (There has to be at least one general partner in a limited partnership.) Choice "a" is incorrect. It takes unanimous written consent of all general partners to dissolve the limited partnership, not majority vote. Choice "b" is incorrect. It takes unanimous written consent of all general partners to dissolve the limited partnership, not two-thirds vote. Choice "c" is incorrect. Death or withdrawal of a limited partner does not cause dissolution. Only death or withdrawal of a general partner causes dissolution.

QUESTION 2

In a competitive labor market, a minimum wage that is set above the equilibrium wage will result in which of the following:

A. A decrease in the quantity demanded of labor.

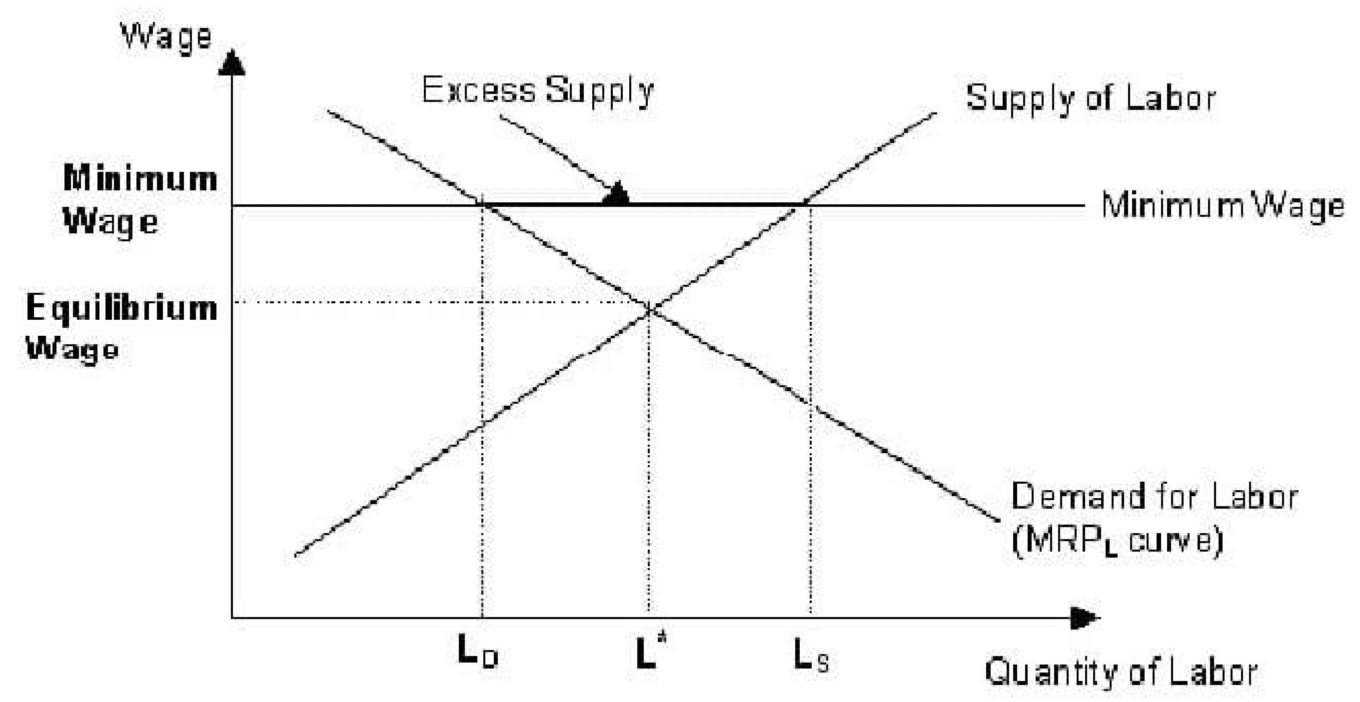
B. An increase in the quantity supplied of labor.

C. A decrease in total employment.

D. All of the above.

Correct Answer: D

Choice "d" is correct. As illustrated in the graph, a minimum wage that is set above the equilibrium wage results in a decrease in the quantity demanded of labor (falls to LD), an increase in the quantity supplied of labor (increases to LS), and a decrease in total employment (total employment falls from L* to LD).



Choices "a", "b", and "c" are incorrect. All are true, making choice "d" the only right answer.

QUESTION 3

Micro Manufacturers uses a performance reporting system that combines both financial and nonfinancial measures to evaluate division performance. All of the following measure operational efficiency, except:

A. Operating leverage.

B. Days\\' sales in accounts receivables.

C. Inventory turnover.

D. Residual income.

Correct Answer: D

Choice "d" is correct. Residual income measures profitability in excess of a target rate of return.

Operational efficiency is not considered.

Choices "a", "b", and "c" are incorrect. Operating leverage, days\\' sales in accounts receivable, and

inventory are all measures of operational efficiency, specifically, efficiency in managing working capital.

QUESTION 4

Inflation can be caused by:

A. Increases in aggregate demand only.

B. Increases in aggregate supply only.

C. Decreases in aggregate demand and increases in aggregate supply.

D. Increases in aggregate demand and decreases in aggregate supply.

Correct Answer: D

Choice "d" is correct. Both an increase in aggregate demand and a decrease in aggregate supply can cause inflation. Choice "a" is incorrect. While an increase in aggregate demand can cause inflation, it is not the only cause of inflation. Choice "b" is incorrect. An increase in aggregate supply would lower the overall price level, not increase the overall price level. Choice "c" is incorrect. A decrease in aggregate demand would lower the overall price level, not increase the overall price level.

QUESTION 5

Generally, a merger of two corporations requires:

A. That a special meeting be held and that notice and copy of the merger plan be given to all stockholders of both corporations.

B. Unanimous approval of the merger plan by the stockholders of both corporations.

C. Unanimous approval of the merger plan by the boards of both corporations.

D. That all liabilities owed by the absorbed corporation be paid before the merger.

Correct Answer: A

Choice "a" is correct. The merger of two corporations requires that a special meeting be held and that notice and copy of the merger plan be given to all stockholders of both companies. A merger generally requires the approval of both the directors and stockholders. Choice "b" is incorrect. While the stockholders\\' approval is required, in most states a majority vote is required; no state requires a unanimous vote. Choice "c" is incorrect. While the board\\'s approval is required, a majority vote and not a unanimous vote is required. Choice "d" is incorrect. There is no requirement that all liabilities owed by the absorbed corporation be paid before the merger because the merged corporation becomes obligated to pay such liabilities upon the merger.