

## **Global Business Education CPC-Based COMP Exam Summary:**

### *Graduate Level*

Peregrine Academic Services provides a range of online comprehensive exams for performing direct assessment in a range of academic disciplines.

**This document focuses on the Business Common Professional Component (CPC) based comprehensive exam for graduate level students.**

**The exam is designed for use by outside the US schools and programs.**

The exams contain 10 questions for each CPC topic and each exam is unique as questions are selected at random from the test bank of over 100 questions per topic. Institutions select the topic areas to be included in the exam to match the design of their curriculum. International test material has been translated into French, German, Mongolian, Portuguese, Russian and Spanish.

This document provides information on:

- Topic areas, Sub-Topics where applicable, and Subjects covered within each.
- Example questions.
- Exam Validity and Reliability

The Topics and Sub-Topics are:

Accounting  
Business Ethics  
Business Finance  
Business Integration and Strategic Management  
Business Leadership  
Economics  
    Macroeconomics  
    Microeconomics  
Global Dimensions of Business  
Information Management Systems  
Legal Environment of Business  
Management  
    Human Resource Management  
    Operations Management  
    Organizational Behavior  
Marketing  
Quantitative Techniques/Statistics

## **Topic: Accounting**

### **Subjects**

- Assets, Liabilities, and Owner's Equity (*Questions related to the accounting equation*)
- Business Transactions (*Questions related to purchasing goods on account, recording expenses, journal entries, and the accounting equation*)
- Cash Flows (*Questions related to the statement of cash flows, and the term cash*)
- Debits and Credits (*Questions related to the bank reconciliation, the bank statement, credit memos, and cash equivalents*)
- Financial Accounts (*Questions related to debit balances, credits, and the payment of an account payable*)
- Income and Expenses (*Questions related to consuming services, vouchers, expenditures, and expired costs of doing business*)
- The Accounting Function (*Questions related to specialized fields of accounting, financial reports, accounting reports, and accounting principles*)

### **Example Questions**

Revenue earned but not yet received by the business is known as \_\_\_\_\_.

- A. contra asset revenue
- B. accrued expense
- C. accrued revenue
- D. unearned revenue

**Correct Response: C**

According to Financial Accounting Standards, which of the following is a cash flow from a "financing" activity?

- A. Cash outflow to the government for taxes.
- B. Cash outflow to shareholders as dividends.
- C. Cash outflow to lenders as interest.
- D. Cash outflow to purchase bonds issued by another company.

**Correct Response: B**

## **Topic: Business Ethics**

### **Subjects**

- Corporate Social Responsibility (*Questions related to socially responsible firms, social performance and financial performance, and social screening*)
- Corruption and Bribery (*Questions related to corrupt individuals, and cultural differences*)
- Ethical Issues in a Global Market (*Questions related to industrial nations, underdeveloped nations, moral justifications, domestic operations, and foreign markets*)

### **Example Questions**

The four types of social responsibility include \_\_\_\_\_.

- A. legal, philanthropic, economic, and ethical
- B. ethical, moral, social, and economic
- C. philanthropic, just, economic, and ethical
- D. legal, moral, economic, and ethical

**Correct Response: A**

Which moral philosophy seeks the greatest good of the largest number of people?

- A. Consequentialism
- B. Egoism
- C. Ethical formalism
- D. Utilitarianism

**Correct Response: D**

## **Topic: Business Finance**

### **Subjects**

- Balance Sheets (*Questions related to the statement of cash flows construction, stocks and dividends, fair market value, and the projected balance sheet*)
- Cash Flows (*Questions related to the cash flow cycle, depreciation, and net income*)
- Financial Forecasting (*Questions related to the financial planning process, forecasting, and financial plans*)
- Financial Analysis (*Questions related to collection policies, annual reports, and financial data*)
- Financial Leverage (*Questions related to expected profits, asset accounts, changes in sales, and measuring the utilization of assets*)
- Financial Ratio Analysis (*Questions related to liquidity position, paying off claimholders, and inventory turnover ratio*)
- Stocks and Bonds (*Questions related to stock dividends, stock splits, and balance sheet accounts*)

### **Example Questions**

According to the Financial Accounting Standards Board (FASB), which one of the following is a cash flow from a "financing" activity?

- A. Cash outflow to the government for taxes.
- B. Cash outflow to shareholders as dividends.
- C. Cash outflow to lenders as interest.
- D. Cash outflow to purchase bonds issued by another company.

**Correct Response: B**

The \_\_\_\_\_ is the percentage change in earnings per share that results from a percentage change in operating income.

- A. degree of combined leverage
- B. degree of financial leverage
- C. breakeven point
- D. degree of operating leverage

**Correct Response: B**

## **Topic: Business Integration and Strategic Management**

### **Subjects**

- Environmental Analysis (*Questions related to the business's operating environment*)
- Stakeholder Analysis (*Questions related to how to define the organization's stakeholders and how to conduct a stakeholder analysis*)
- Strategic Analysis (*Questions related to SWOT analyses, joint ventures, and the industry life cycle*)
- Strategic Management (*Questions related to the assessing both the internal and external environments, strategic thinking, and the major activities associated with strategic management*)
- Strategic Operations (*Questions related to the industry life cycle, the learning curve, transaction cost analysis, and management of resources*)
- Strategy and Decision-Making (*Questions related to market penetration, competitive advantage, strategic thinking, resource use, diversification, and corporate-level decision-making*)

### **Example Questions**

A market-driven firm will typically \_\_\_\_\_.

- A. develop new products and then find someone to sell them to
- B. define the target market and produce offerings that will satisfy those customers' needs
- C. operate in a product-oriented fashion
- D. suffer from marketing myopia

**Correct Response: B**

Michael Porter's generic strategies are \_\_\_\_\_.

- A. low price, differentiation, and focus
- B. cost leadership, differentiation, cost focus, and differentiation focus
- C. price leadership, differentiation, and focus
- D. low cost, differentiation, focus differentiation

**Correct Response: B**

## **Topic: Business Leadership**

### **Subjects**

- Empowerment (*Questions related to the shift in culture towards empowerment and the nature of empowerment*)
- Leader Ethics (*Questions related to ethical violations and leadership*)
- Leadership Defined (*Questions related to leadership vs. supervision, management vs. leadership, and the art vs. the science of leadership*)
- Leadership Styles (*Questions related to situational leadership theory, path-goal theory, the learning leader, contingency theory, and what an effective leader is*)
- Mission and Vision (*Questions related to how mission and vision characterize the leadership actions*)

### **Example Questions**

Which one of the following statements is not true of empowerment?

- A. Empowerment allows the workforce some decision making power over their work processes.
- B. Empowerment allows the workforce total decision making power over their work processes.
- C. Empowerment means that the workforce can change some of its working arrangements with managerial or supervisory approval.
- D. Empowerment is a management tool that allows limited decision making power to the workforce.

**Correct Response: B**

According to the path-goal theory, a leader who consults with employees and uses their suggestions before making a decision is referred to as \_\_\_\_\_.

- A. charismatic
- B. supportive
- C. institutional
- D. participative

**Correct Response: D**

## **Topic: Economics**

### **Sub-Topic: Macroeconomics**

#### **Subjects**

- Capital Outflow (*Questions related to net capital and capital outflow processes*)
- Economic Theory (*Questions related to the open-economy model*)
- Exchange Rates (*Questions related to the nominal exchange rate*)
- International Trade (*Questions related to exports and imports, trade balance, net exports, trade surplus, negative net exports, and calculating trade balances*)
- Investment, Money Supply, and Financing (*Questions related to national savings, central banks, foreign currency holdings, decision-making, and interest rates*)

#### **Example Questions**

Which one of the following would do the most to reduce a trade deficit?

- A. Increasing domestic saving.
- B. Increasing political stability and respect for property rights.
- C. Negotiating with other countries to get them to reduce their trade restrictions.
- D. Imposing higher tariffs on imported goods.

**Correct Response: A**

According to the classical dichotomy, when the money supply doubles, which one of the following also double?

- A. The price level and nominal wages.
- B. The price level, but not the nominal wage.
- C. The nominal wage, but not the price level.
- D. Neither the nominal wage nor the price level.

**Correct Response: A**

## Sub-Topic: Microeconomics

### Subjects

- Economic Analysis (*Questions related to methods and tools used for economic analysis*)
- Employment Analysis (*Questions related to minimum wage and price elasticity*)
- Pricing (*Questions related to increases and decreases in pricing based on demand and the relationship between supply and demand on pricing*)
- Supply and Demand (*Questions related to supply curves, producer surplus, consumer surplus, demand curves, and price elasticity*)

### Example Questions

When the decrease in the price of one good causes the demand for another good to decrease, the goods are \_\_\_\_\_.

- A. normal
- B. inferior
- C. substitutes
- D. complements

**Correct Response: C**

A leading indicator is a measure that usually \_\_\_\_\_.

- A. changes at the same time and in the same direction as the general economy
- B. responds to a change in the general economy after a time lag
- C. changes in the same direction as the general economy before the general economy changes
- D. does not change at all

**Correct Response: C**



## **Topic: Global Dimensions of Business**

### **Subjects**

- Diversity Management (*Questions related to diversity training, values, differing orientations, and cultural differences*)
- International Strategies (*Questions related to global corporate-level strategies, international diversification, and international markets*)
- International Trade (*Questions related to the international market, multinational trade, and political and economic agreements*)
- Workforce Analysis (*Questions related to the dimension of cultural values, cross-cultural relations, cultural intelligence, and structural integration*)
- Workforce Development (*Questions related to economies of scale, cultural intelligence, and cultural training*)

### **Example Questions**

A stereotype is a fixed idea or misconception about an individual or a group of people. The basis of stereotyping is \_\_\_\_\_.

- A. based on objective and rational considerations
- B. seeing people as a group with similar characteristics rather than recognizing differences between people
- C. gut reaction
- D. formed from personal experience of managing different types of people

**Correct Response: B**

A manager has collected data on sales, the economy, and taxes over a number of years, and statistically estimates an equation that describes how each of these predictors has affected staffing levels in the past. This equation is used to predict future staffing levels. This is an example of \_\_\_\_\_.

- A. regression analysis
- B. ratio analysis
- C. trend analysis
- D. Markov analysis

**Correct Response: A**

## **Topic: Information Management Systems**

### **Subjects**

- Acquisition of Technology (*Questions related to evaluation and control, creation of value, integration of technologies, and external factors, and the competitive position of the company and return on investment*)
- Franchising (*Questions related to defining franchising, joint ventures and franchise agreement, and short-term alliances*)
- Integration and Control (*Questions related to critical issues, training and development, evaluation and control, and organizational impact*)
- Mergers, Acquisitions, Alliances, and Joint Ventures (*Questions related to strategic alliances, international alliances, use of technology in partnerships, knowledge needed in partnerships and alliances, and types of corporate relationships*)

### **Example Questions**

Information systems built using the principles of Artificial Intelligence and Neural Networks, and which facilitate decision making at the tactical (middle management) level of an organization are called \_\_\_\_\_.

- A. Management Information Systems (MIS)
- B. Decision Support Systems (DSS)
- C. Transaction Processing Systems (TPS)
- D. Expert Systems (ES)

**Correct Response: B**

The use of information management, communication, and related technologies to seamlessly facilitate the exchange of critical information and aid decision making across an organization and its functional units, is called \_\_\_\_\_.

- A. Customer Relationship Management (CRM)
- B. Management Information Systems (MIS)
- C. Database Management System(DBMS)
- D. Enterprise Resource Planning (ERP)

**Correct Response: D**

## **Topic: Legal Environment of Business**

### **Subjects**

- Civil Law (*Questions related to court decisions, equitable remedies, monetary damages, and substantive law*)
- Common Law (*Questions related to common law rules, and statutory and administrative law*)
- Contract Law (*Questions related to sales contracts, warranties, and electronic symbols*)
- Criminal Law (*Questions related to duties between persons*)
- Employment Law (*Questions related to employer practices, employee dismissal, and employees' privacy rights*)
- International Law (*Questions related to the laws of foreign nations, and international business*)
- Legal Foundations (*Questions related to the common law legal system, precedent, inferior court, and values of society*)
- Legal Terms (*Questions related to terms such as defendant, equity, and plaintiff*)

### **Example Questions**

As a rule, laws are prospective, except when the law is \_\_\_\_\_.

- A. Denial of information
- B. Denial of due process
- C. Denial of the right to information
- D. Denial of the right to notice

**Correct Response: B**

Which of the following statements is an essential component of a valid contract?

- A. Competence and the contractual capacities of the parties.
- B. Social and economic pressures that the parties are exposed to.
- C. Dominance of one party over the other.
- D. Legal influence of the parties.

**Correct Response: A**

## **Topic: Management**

### **Sub-Topic: Human Resource Management**

#### **Subjects**

- Job Design (*Questions related to absenteeism, how to design a job, full-time vs. part-time employment, job rotation, and work activities*)
- Labor Unions (*Questions related to why labor organizations form, management vs. labor in terms of types of employees, work stoppages, employee retention, and defining a labor union*)
- Recruiting, Retention, and Employee Discipline (*Questions related to employee selection processes relative to retention, turnover rates, employee pay as a factor of retention, controlling absenteeism, and retention factors*)

#### **Example Questions**

Are there occasions when employers are not required to provide information to employee representatives within the context of collective bargaining?

- A. They do not have to provide any information which will hamper them in negotiations.
- B. They are not required to provide information in a number of specified reasons such as if it is information that relates specifically to an individual unless she or he has consented to its disclosure.
- C. They have to be very open or the negotiations will not be conducted between equal parties.
- D. They do not have to provide information which would help the union in the negotiations.

**Correct Response: B**

They do not have to provide information which would help the union in the negotiations.

- A. Enforcing compliance and order
- B. A system of rules designed to improve and correct behaviour through teaching or training.
- C. Punishment
- D. Exercising control

**Correct Response: B**

### **Sub-Topic: Operations/Production Management**

#### **Subjects**

- Communications (*Questions related to sharing of tasks, how managers communicate with employees, and problems that arise from ineffective communications*)
- Critical Activities (*Questions related to defining critical activities and breaking down tasks into specific employee actions*)

#### **Example Questions**

The critical path of a network is the \_\_\_\_\_.

- A. path with the most activities
- B. longest time path through the network
- C. path with the fewest activities
- D. shortest time path through the network

**Correct Response: B**

Which is the first stage in the project management model?

- A. Understanding the project environment.
- B. Project planning.
- C. Project definition
- D. Project control

**Correct Response: A**

### **Sub-Topic: Organizational Behavior**

#### **Subjects**

- Employee Skills (*Questions related to generic skills, soft-skills, and rules governing employee activities*)
- Meta-Analysis (*Questions related to approaches to meta-analysis relative to workplace design and analysis*)
- Organizational Effectiveness (*Questions related to how to define and measure organizational effectiveness*)
- Organizational Structures (*Questions related to flat organizational structure, outsourcing, reengineering, and decision-making relative to organizational structure*)

#### **Example Questions**

Which one of the following is not a characteristic of a transformational leader?

- A. Treats all employees collectively as one.
- B. Encourages innovative approaches to old problems.
- C. Provides vision and a sense of mission.
- D. Communicates high expectations.

**Correct Response: A**

What can anxiety, inertia, cultures, and contractual obligations contribute to?

- A. Resistance to change
- B. Triggers for change
- C. Metaphors for the nature of organizations
- D. Chaos theory

**Correct Response: A**

## **Topic: Marketing**

### **Subjects**

- Market Segments (*Questions related to marketing trends, the four segments of the business market, and the responsiveness of market segments*)
- Marketing Concepts (*Questions related to meeting organizational objectives, focusing on customers' wants, and distinguishing products*)
- Marketing Defined (*Questions related to the business market, the producer segment, the concept of exchange, and organizational buying decisions*)
- Marketing Strategies (*Questions related to the marketing director, marketing approaches, market-oriented firms, the emergence of the internet*)
- Service Marketing (*Questions related to purchasing situations, evaluative criteria, and business services*)

### **Example Questions**

Marketing is both an "art" and a "science." There is constant tension between the formulated side of marketing and the \_\_\_\_\_ side.

- A. selling
- B. creative
- C. forecasting
- D. behavioural

**Correct Response: B**

In service industries, which one of the following factors is extremely important in representing the service provider and having a direct impact on the perceived quality of the service itself?

- A. People
- B. Physical evidence
- C. Processes
- D. Intangibility

**Correct Response: A**

## **Topic: Quantitative Research Techniques and Statistics**

### **Subjects**

- Confidence Intervals (*Questions related to the application of confidence intervals for decision-making*)
- Correlation (*Questions related to calculating the correlation coefficient*)
- Hypothesis Testing (*Questions related to null hypothesis, alternative hypothesis and accept or reject the null hypothesis*)
- Mean, Median, and Mode (*Questions related to calculating the mean, median, and mode from a set of numbers*)
- Population Parameters (*Questions related to skewness, standardized values, central tendency, and measures of dispersion*)
- p-Value (*Questions related to how to determine the p-value and the use of the p-value*)
- Sampling (*Questions related to dependent samples*)
- Statistical Tests (*Questions related to 2-tailed vs. 1-tailed tests, t-distribution, degrees of freedom, z-test, t-test, and test selection*)
- Type I and Type II Errors (*Questions related to the probability of making a Type I or Type II error and how to identify a Type I or Type II error*)
- Variables (*Questions related to determining what are variables and comparing samples*)

### **Example Questions**

When determining the sample size for a mean for a given level of confidence and standard deviation, if the sampling error is allowed to increase, which one of the following is true regarding the sample size?

- A. The sample size will increase.
- B. The sample size will decrease.
- C. The sample size will remain the same.
- D. The sample size cannot be determined.

**Correct Response: B**

A Type II error is the error of \_\_\_\_\_.

- A. accepting  $H_0$  when it is false
- B. accepting  $H_0$  when it is true
- C. rejecting  $H_0$  when it is false
- D. rejecting  $H_0$  when it is true

**Correct Response: A**

## Exam Validity and Reliability

Peregrine places a high priority on ensuring colleges and universities are provided with valid and reliable assessment instruments that can be incorporated into their academic programs to measure learning outcomes in order to serve accreditation, accountability and continuous improvement needs. Practices to ensure exam quality begin at the concept stage and continue through beta-testing, and with ongoing regularly scheduled quality reviews.

Reliability refers to the extent to which the exam results are repeatable.

Validity refers to the extent to which results are relevant and meaningful.

To ensure reliability the following measures are adopted.

- Peer review and sensitivity analysis was included as part of exam question development.
- Exam scoring is 100 objective using automated marking.
- Each exam is unique using a random selection of questions from the test bank in random topic order.
- Timed response periods for questions. When the user navigates away from the exam screen, the screen fades, a message appears informing the user that he/she has left the exam window and the questions are timed.
- Students are unable to copy/paste from the exam window.
- The exam services meet the security requirements for Management of Information Technology (MIS) Sarbanes-Oxley (SOX) compliant organizations.
- Reliability stability was confirmed during the initial beta-testing with no statistically significant difference in scores ( $p < .05$ ).
- Abandoned exams are excluded from summary reports.

To ensure exams are valid the following measures are adopted.

- Exam questions are written and reviewed by academic professionals within each discipline.
- Psychometric analysis was conducted to eliminate substandard questions following initial beta-testing and after use by institutions. Annual test bank reviews are conducted.
- Questions have a subject-level designation with 4-8 subjects per topic.
- Exam responses are either correct or incorrect with only one possible correct choice.
- Scores are determined by summarizing the percent correct: per subject, per topic, and by total score.
- Many questions focus on application of concepts.

A more detailed explanation of exam validity and reliability is available from the following link:

[http://www.peregrineacademics.com/resources/documents/PAS\\_CPC-based\\_COMP\\_Exam-Validity\\_and\\_Reliability.pdf](http://www.peregrineacademics.com/resources/documents/PAS_CPC-based_COMP_Exam-Validity_and_Reliability.pdf)