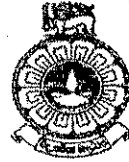


**THE OPEN UNIVERSITY OF SRI LANKA**  
**Faculty of Engineering Technology**  
**Department of Electrical & Computer Engineering**



**Diploma In Information Systems and Technology**

**Final Examination (2016/2017)**  
**ECM3266: Introduction to Business Studies**

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**Date: 18<sup>th</sup> November 2017 (Saturday)**

**Time: 9:30 am – 12:30 pm**

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*Answer all questions in Section A and B*

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**Section ~A~**

**Multiple Choice Questions**

1. Which of the following is a common characteristic of successful entrepreneurs?
  - (a) Committed
  - (b) Unskilled
  - (c) Shy
  - (d) Cautious
  
2. One of the reasons why some Private Limited Companies convert to Public Limited Companies is:
  - (a) To gain limited liability for all shareholders
  - (b) To avoid having to disclose important accounting results
  - (c) To share the management tasks with other shareholders
  - (d) To obtain finance for expansion which has no interest charges
  
3. An example of an ethical influence on a business decision is:
  - (a) A business closes a factory due to an economic recession
  - (b) A supplier offers a bribe to a manager to obtain a contract of supplying a certain good
  - (c) A manager refuses to purchase materials from a supplier who employs child labour
  - (d) A business increases short term profits by disposing of wastes in a river.
  
4. Which one of the following may be aimed to achieve by legal controls over a business?
  - (a) Reduce prices to consumers below the cost of making a product.
  - (b) Reduce exploitation of workers by powerful employers
  - (c) Lower business profits so that less investment takes place
  - (d) Reduce number of businesses so that consumer choice becomes easier.

5. Which of the following is **not** an economic objective of most governments?
- (a) Keep the rate of inflation low
  - (b) Achieve a steady rate of economic growth
  - (c) Maintain a low level of unemployment.
  - (d) Reduce the level of employment.
6. Which function of management involves the leading of staff?
- (a) Organising resources
  - (b) Directing and motivating
  - (c) Controlling and measuring
  - (d) Coordinating activities
7. Which of the following is **not** a motivator according to Herzberg's two factor theory?
- (a) Self-actualisation
  - (b) Achievement
  - (c) More recognition
  - (d) More responsibility
8. Off the job training is most likely to be useful for:
- (a) Coping with new people starting a business
  - (b) Training workers about standard procedures of a business
  - (c) Assessing workers' performance
  - (d) Developing new IT skills
9. High absenteeism is most likely a result of:
- (a) A motivated workforce
  - (b) A large proportion of workers leaving the business
  - (c) A clear objective for the business
  - (d) A unmotivated workforce.
10. Which one of the following is an example of a market oriented business decision?
- (a) Selling only products that are environmentally friendly as all consumers are interested in protecting global resources.
  - (b) Increasing the advertising spending on a product that is becoming less attractive to many consumers
  - (c) Reducing the price of a product that is experiencing an increased competition from rivals' new products
  - (d) Basing a new product decisions on market research data.

11. Which of the following is an example of secondary research?
- (a) Collecting information in a focus group
  - (b) Undertaking a survey
  - (c) Collating information from Mintel and the population Census
  - (d) Observations of customers' behaviour.
12. Added value is:
- (a) The difference between price and value to the customer
  - (b) The difference between value to the customer and the value of the inputs
  - (c) The difference between price before and after tax.
  - (d) The mark up made by a retailer.
13. Which of these is an economy of scale?
- (a) Average costs falling because production is rising
  - (b) Average costs falling because production is falling
  - (c) Average costs falling because productivity is rising
  - (d) Average costs are falling because the factory has an extra production line built.
14. One of the problems of insufficient stock is:
- (a) Lost sales
  - (b) High storage space
  - (d) Small reorder quantities
  - (e) Purchase of more machinery.
15. When capacity utilisation increases:
- (a) Average fixed costs decrease
  - (b) Average fixed costs increase
  - (c) Average variable costs decrease
  - (d) Average variable costs increase.
16. Which one of the following focuses in Lean production?
- (a) Sampling for defects
  - (b) Automated production
  - (c) Continuous production
  - (d) Reducing waste.

17. Which one of the following is an example of a cash inflow?
- (a) A new asset
  - (b) The value of stocks
  - (c) Cash sales
  - (d) Cash purchases.
18. Which one of the following best describes a firm in liquidation?
- (a) It has an excess of liquid assets
  - (b) It has ceased trading so that creditors can be paid through the sale of assets
  - (c) It cannot meet its short term debts
  - (d) Its sales are falling.
19. Which of the following is not a variable cost?
- (a) Raw materials for making soft drinks
  - (b) Wages of a head teacher
  - (c) Commission paid on sales
  - (d) Electricity to power a piece of production machinery.
20. A direct cost is a cost component that:
- (a) Is variable
  - (b) Is fixed
  - (c) Cannot be identified with a unit of production
  - (d) Can be identified with a unit of production.

**Total: 40 marks**

**Section B**

1. Explain reasons why most countries' governments are trying to increase the number of new enterprises in the economy.  
(10 marks)
2. Explain how the workers in a business might react if the firm has not clear objectives.  
(10 marks)
3. Give three advantages of communicating with an electronic medium.  
(10 marks)
4. Explain the benefits to a computer manufacturer focusing on niche marketing.  
(10 marks)
5. Why is training and development important to a business?  
(10 marks)
6. How would ratios help the owners analyse the financial position of their competitors?  
(10 marks)

**Total: 60 marks****TOTAL MARKS FOR THE PAPER: 100**