

#2016 Business Management Model Exit Exam

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1. _____is on the job- training method, by which human resources manager focuses on transferring of employees from job to job on a systematic and regular basis.

- a. Internship
- b. Special projects
- c. Job rotation
- d. Job Instruction

C

2. Which one of the following factors is affecting product distribution channel choice?

- a. Product value
- b. Order size
- c. Ownership
- d. Market type

D

3. Among product development cycle, the stage by which product will offer for the market is

- a. Idea development
- b. Concept development
- c. Market testing
- d. Commercialization

D

4. Which one of the following is not among features of communication?

- a. It is purposive
- b. It is solution
- C. It is contextual
- d. Uses symbol

B

5. Which one of the following is not true about the project cycle?

- a. Its descriptions are not specific by its nature. A
- b. It serves to define the beginning and the end of the project.
- c. The cost and staff level are high at starting level of the project.
- d. It starts with the identification of an idea for the project.

6. Among the beneficiaries of entrepreneurial wealth, which one provide inputs for business entity?

a. Society

b. Supplies

c. Government

d. Employees

B

7. Which one of the following data collection techniques is not recommended to gather data from illiterate target group?

- a. Observation
- b. Questionnaires
- c. Interview
- d. Focus group

B

8. Which of the following is the common characteristic of that preferred stock share with common stock?

- a. Limited dividends
- b. Dividends are tax-free
- c. Absence of Maturity date
- d. Voting Right

C

9. Among the essential qualities of entrepreneur, which one can significantly affect the success of the entrepreneurial business?

- a. Skill
- b. Hard work
- c. Attitude
- d. Knowledge

C

10. Which one of the following is among the natures of strategy implementation?

- a. It is primarily an intellectual process
- b. Basically it is the responsibilities of strategists
- c. It focuses on positioning forces before the action
- d. It focuses on efficiency of an organization

C

11. Regardless of differences in size, goals, missions and strategies, we can find that all organizations exercising management functions. And this reveals of.... the management

- a. Significance of management
- b. Functions of management
- c. Universality of management
- d. Contributions of management

C

12. Competitive bidding is effective in supplier selection of business organizations when

- a. Buyer has preferred supplier of the product
- b. Provided requirements are ambiguous
- c. High volume of items demanded
- d. Requires wide range of performance factors

C

13. Which one of the following is not basic information required to solve transportation problems?

- a. Management attitude
- b. Suppliers capacity
- C. Destination's demand
- d. Unit transportation costs

A

14.of the following are among factors affecting strategy choice except

- a. Nature of environment
- b. Company culture
- c. Competitors ambition
- d. Firm's internal realities

C

15. If someone strongly believes that the best decision is which benefits the greatest number of concerned people, which ethical theory is considered?

- a. Cultural relativism theory
- b. Utilitarianism theory
- c. Social relativism theory
- d. Deontological theory

B

17. Which of the following involves taking a specific function that your company was doing, having another company perform that function for you, and then integrating their work back into your operation?

- a. Supply chaining
- b. Outsourcing
- c. Ordering
- d. Off-sourcing

B

18.form of providing varieties short term incentives to encourage purchase of a product in marketing function.

- a. Public relation
- b. Direct marketing
- c. Advertising
- d. Sales promotion

D

19. Management decisions at any level are expected to consider the interests of informal groups in an organization. Which alternative best describes the reason why it is?

- a. Management needs to be impartial and consider workforce diversity
- b. All groups are intentionally established by organizational managers
- C** c. Organizational communities have the right to form or join group
- d. Forming or joining group and management decision is unrelated

20. Mr. Bona is senior manager in Geez international company and he give the same average mark for all employees regardless of their performances. The error committed by Mr. Bona is

- a. Halo effect error
- b. Leniency error
- C. Contrast error
- d. Central tendency error

D

22. Among the different types of adjusting capacity strategies, one that is common when demand fluctuations are not extreme is called

- a. Level Production strategy
- b. Overtime and under time
- c. Subcontracting strategy
- d. Chase demand strategy

A

24. In which product life cycle stage, highly requires design?

- a. Growth
- b. Maturity
- c. Introduction
- d. Decline

C

25. The optimal solution of linear programming problem of maximization with objective is reached by simplex approach when

- a. all values of variable in "C-Z" row are zero or negative
- b. the resources are not fully utilized
- c. all values of variable in "C-Z" row are positive or negative
- d. all values of variable in "Z" row are zero

A

26. When will be the solution for certain LPP is unbounded?

a. Where the objective function can be decreased indefinitely

b. Where the objective function can be increased or decreased indefinitely

c. Where the objective function can be increased indefinitely

d. Which maximizes the objective function

c

29. Which one of the following is the process in which people sharing thoughts, ideas, and feelings with each other in commonly understandable ways?

- a. Understanding
- b. Conformation
- C. Communication
- d. Presentation

C

30. Why do you think that business organizations are concerned about business ethics?

- a. To minimize revenue generation
- b. To maximize costs to be incurred
- c. To pursue external threats
- d. To care of environmental issue

D

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31. Which one of the following is not among primary data collection techniques?

- a. Questionnaires
- b. Observation
- C. Research works
- d. Interview

C

32. Which one of the following methods is not employed in supplier evaluation?

- a. Preferred suppliers
- b. Supplier visits
- c. Suppliers hobbies
- d. Information from Supplier

C

33. All are among factors influencing business buyer's except

- a. Educational factors
- b. Interpersonal factors
- c. Organizational factors
- d. Competitive factors

A

34. Which of the following is often interpreted as a lack of understanding or attention?

- a. Disturbance
- b. Noise
- c. Yawning
- d. Silence

C

35. Which methods of collecting job analysis information is viewed as an appropriate for organization to use while their goal is gathering detail with clear understanding information?

- a. Scheduling method
- b. Interview method
- c. Observation method
- d. Questionnaire method

B

36. Assume you will assign as on the position of project manager in certain organization and wants to determine project location for Agricultural project. The most suitable place your recommend for this project is

- a. near to inputs
- b. near to market
- c. technology Center
- d. urban center

A

37. Which one of the following is a set of rules and regulations for functions and responsibility of managers towards those functions?

- a. Business policy
- b. Strategic management
- c. Organizational goals
- d. Mission and visions of firms

A

38. Among the different product development cycle, at which stage can customers react on the physical product?

- a. product development
- b. Idea development
- c. Commercialization
- d. Market testing

D

39. Market where securities issued for first time is....

- a. Product Market
- b. Issuance Market
- c. Primary Market
- d. Secondary Market

C

40. Which one of the following is not among the drawbacks of informal communication?

- a. Expands false rumors among members
- b. Weakens formal communication
- c. Means of releasing negative energy
- d. May result in conflict of management and workers

C

41. The marketing managers are expected to ensure that customers are aware of their product and this requires appropriate media. Which factor is not considered in the selection of media to be effective in advertising function from the following?

- a. Its outdoor
- b. Its Cost
- c. Its Audience
- d. Its Objectives

A

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42. Among statistical data collection process, the stage which involves complex and sophisticated mathematical techniques is_____

- a. Data organization
- b. Data presentation
- C. Data Analysis
- d. Data collection

C

43. The major point of difference between service giving organization and manufacturing organization is

- a. issue of demand
- b. issue of quality
- c. issue of technology
- d. inventory management

A

44. Which one of the following is/are consequences of operating the business unethically?

- a. Smooth communications
- b. Increased customers' trust
- c. Poor performance
- d. Increased in suppliers' trust

C

45. Which one of the following is not limitation of NPV technique in evaluating financial aspect of given business project?

- a. Determining discount rate is unpractical
- b. It measures the benefits directly
- c. It cannot consider the size of the project
- d. It cannot consider the life span of the project

B

46. Abraham Maslow, a prominent humanistic theorist, proposes that human motives are organized into a hierarchy of needs and therefore, a manager needs to understand and categorize demand and act accordingly to get members motivated. Which of the following alternative clearly states Maslow's theory?

- a. Managers need wait for members request
- b. Managers need to satisfy shareholders
- c. Individuals are motivated by themselves
- d. Unsatisfied need motivate the individuals

D

47. Which of the following is the advantage of common stock owners over others?

- a. They are relatively risk free
- b. There is upper limit on divide
- C. The right to claim residual income
- d. The right to receive divides first

C

48. Organizational moral climate is affected by the following factors from internal except

- a. Behavior of superiors
- b. Behavior of one's peers
- c. Customer preferences
- d. Professional ethical practices

C

49. Hand to mouth purchasing type is preferable in the following conditions except_____

- a. Sufficient storage space is available
- b. Decrease in price is expected in the future
- c. There is no enough cash inflow
- d. Engineering changes are expected in the future

B

50. Among the different type of leverage ratios, the one that measure the rate of return earned by a firm's stockholders on investments made by themselves is_____

- a. Return on investment
- b. Return on Equity
- c. Profitability ratio
- d. Fixed charges coverage

B

51. Which of the following is part of communication flow in an organization?

- a. Inflow communication
- b. Horizontal communication
- c. Upward communication
- d. Downward communication

A

53. Which of the following is not true about modern quality management?

- a. Quality improvement is continuous process.
- b. Quality can maximized only by top-management commitment.
- c. Quality is now an integral part of strategic planning.
- d. Quality has become a competitive weapon.

B

54. Which one of the following is not the feature of growth stage of product life cycle?

- a. Sales will start climbing quickly.
- b. New competitors will enter the market
- c. Require much money to build asset
- d. Profit may be high

C

55. Management information System is important for manufacturing companies' through

- a. disposal of software and systems
- b. discarding the role management
- c. advancing the overall system
- d. facilitating traditional filling system

C

56. All are features comprehensive mission statement of an organizations except

- a. Should not be ambiguous
- b. Realistic and achievable
- c. It should be static
- d. It should have societal linkage

C

57. Which one is ODD from the following?

- a. Stratified sampling
- b. Systematic sampling
- c. Judgmental sampling
- d. Clustered sampling

C

58. Which one of the following natures of organizational resources couldn't contribute for its competitive advantages?

- a. Substitutable
- b. Rare
- c. Inimitable
- d. Valuable

A

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59. Which one of the following is not source of information for management information system?

- a. Superficial
- b. External
- c. Employees
- d. Competitors

A

60. Which one of the following is not among basis to segment consumer markets?

- a. Location
- b. Regulations
- c. Behavior
- d. Demography

B

62. Which one of the following is the main objective function of transportation problem?

- a. Making total cost zero
- b. Maximizing the total cost
- c. Minimizing the total cost
- d. Planning to incur additional cost

C

63. Suppliers are expected to be evaluated against all of the following standards except

- a. Competency
- b. Commitment to quality
- c. Purchasing ethics
- d. Consistency

C

64. Which one of the following is not among reasons of developing research proposal?

- a. Guidance
- b. Tasks of contract
- c. Experimental
- d. Means of communication

C

65. Which one of the following is the major reason for many organizations to maintain inventory?

- a. It is physically impossible or economically unsound to have goods inventory precisely when it has demanded.
- b. The price of some raw materials used by manufacturers may exhibit considerable seasonal fluctuation.
- c. The firms that experience seasonal patterns in demand needs to keep inventory for their smooth operations.
- d. For retail firms, the sales and profit can be increased if one has an inventory of goods to display to customer

A

66. Assume that you are assigned on the position of material manager in certain manufacturing companies and as a manager, what will be your preceding function?

- a. Demand forecasting
- b. Purchasing
- c. Managing inventory
- d. Keeping the store

A

67. From the following, which one is not favorable condition for competing on cost?

- a. High standardization
- b. Offer low product feature
- c. Low costs of input
- d. High customization

D

68. The essential research process which judge the validity and importance of any research work is

- a. Research Design
- b. Research Rationale
- c. Sampling technique
- d. Research Proposal

B

69. Which one of the following is the reason why business firms conduct external environment analysis?

A

- a. Identify and evaluate factors beyond their control
- b. Identify and evaluate factors in domain of their control
- c. Identify and evaluate factors occurring in workplace
- d. Identify and evaluate factors employees performance

70. Among the random sampling techniques, which one allows each item in the population to have equal chance of being included in the sample?

- a. Stratified sampling
- b. Cluster sampling
- c. Systematic sampling
- d. Simple random sampling

D

71. Which one of the following is not among diversification strategies of marketing function?

- a. Global diversification
- b. Horizontal integration
- c. Concentric diversification
- d. Conglomerate diversification

B

72. Which one can be considered as the goal of profit maximization?

- a. Risk related to uncertainty of returns
- b. Efficient management of every business
- c. Timing of expected returns
- d. Exploiting workers and consumers

B

74. Which business environment is unfavorable for the growth of entrepreneurial venture?

- a. High reputation
- b. High tax
- c. High demand
- d. High purchasing power

B

75. Which one of the following is not significance of communication? It is...

- a. exchange information
- b. describe the image the organizations
- c. inspire rigidity in business activities
- d. backbone of business industries

C

76. Among the different staffing functional process, which one can be considered as the first stage?

- a. Procurement function
- b. Orientation
- c. Selection Function
- d. Human resource planning

D

77. Which one of the following managerial skills is equally important for all management levels?

- a. Interpersonal skill
- b. Forecasting skill
- c. Conceptual skill
- d. Technical skill

A

78. In which quantities demand forecasting technique, organization forecast future demand by considering relation among variables?

- a. Naive technique
- b. Weighted Average move
- c. Simple Average move
- d. Linear regression

D

79. Which one of the following is a network analysis techniques used where times can be estimated with confidence to determine project completion duration?

- a. Critical path method
- b. Project evaluation and review techniques
- c. Shortest diagram
- d. Network analysis

A

80. The major difference that exist between project and program is usually by their

- a. Managerial roles
- b. Limited time frame
- c. Source of budget
- d. Specifications

B

82. Which of the following is not categorized under unethical purchasing behavior?

- a. Accepting units' request
- b. Accepting Supplier favors
- c. Reciprocity
- d. Sharp practices

A

83. In which quantitative demand forecasting technique, organizations forecast future demand by not assuming recent data as more predictive?

- a. Simple Average move
- b. Weighted Average move
- C. Naive technique
- d. Linear regression

C

84. Which one of the following is a system that connects computers via communications media so that data can be transmitted among them?

- a. Network
- b. Information exchange
- c. Transaction
- d. Protocol

A

85. A set of Principles conducted within business organizations that guide decision making and behavior is

- a. Organizational leaders
- b. Business ethics
- c. Employees ethics
- d. Business organization

B

87. The type of controlling focuses on measuring and checking the achieved performance against proposed one is termed as

- a. Preventive
- b. Feed forward
- c. Feedback
- d. Concurrent

C

88. Which of the following cannot indicate the importance of material management?

- a. Maintaining excess inventory
- b. Administrative Efficiency
- C. Customer service
- d. Cost reduction

A

89. Which one of the following is not means of supporting ethical behavior?

- a. Internal reporting of unethical behavior
- b. Developing unreliable Behavior
- c. Taking Preventive Measures
- d. Developing a Statement of Ethics

B

91. To gain competitive advantage over competitor, operation manager must plan and the plan to compute in the market place focusing on competitive priorities. This is termed as

- a. Competitive priorities
- b. Competitive advantages
- c. Operational strategy
- d. Core competency

C

93. Which one of the following is not basis of organizing function of management?

- a. Quantities of tasks required to implement plans
- b. Means of acquiring personal interests from tasks
- c. Organizational positions needed to perform required tasks
- d. Layers of management needed to coordinate tasks

B

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94. Among the following important aspects of a project, which one will go along with 'tax framework'?

- a. Technological Sector
- b. Economic Sector
- C. Governmental Sector
- d. Financial aspect

C

95. Which one of the following is the primary step in dealing with LPP?

- a. Identifying contains
- b. Model construction
- C. Decision variable identification
- d. Ascertaining the problem

D

96. All of the following are features of sample selected from target population except

- a. Representativeness
- b. Homogeneity
- c. Dependence
- d. Adequacy

C

97. Organizations conscious on domestic and global marketing situations are

- a. Encouraged to inflexible in the environment
- b. Challenged to compete in their industry
- c. Enabled to cope up with dynamic environment
- d. Unfortunate in their business operations

C

98... is the error that evaluators rate other people in the same ways that they perceive themselves.

- a. Central Tendency
- b. Similarity Error
- c. Primacy Effect
- d. Halo effect

B

100. Among different types of adjusting capacity strategies, one that is appropriate when top priority given for superior customer services is

- a. Subcontracting strategy
- b. Level Production strategy
- c. Peak Demand strategy
- d. Chase demand strategy

D

Calculation Questions

**You can see more detail and clean
explanation from my YouTube channel**

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16. The director of the PHD program at Addis Ababa University has 16 applications for admission. The composite scores of the applicants out of 40 marks are:

15, 32, 26, 27, 29, 27, 25, 25, 29, 30, 31, 32, 34, 35, 32, 32

16, 29, 25, 29, 32, 10, 27, 32, 30, 31, 32, 33, 32, 33, 34, 33

Then, what is the

a. 30.5

b. 30

c. 31

d. 29

A

Handwritten solution for finding the middle value of 16 scores:

16

15.5, 30.5, 25.5, 28, 30.5, 18.5, 26, 28.5
29.5, 30.5, 31.5, 32.5, 33, 34, 33, 32.5

Then let put in order / Ascending

15.5, 18.5, 25.5, 26, 28, 28.5, 29.5, 30.5
30.5, 30.5, 31.5, 32.5, 32.5, 33, 33, 34

Middle value = $\frac{n+1}{2} = \frac{16+1}{2} = \frac{17}{2} = 8.5^{\text{th}} \text{ value}$

Middle value = $\frac{8^{\text{th}} + 9^{\text{th}}}{2} = \frac{30.5 + 30.5}{2} = 30.5$

21. The hourly wages for a sample of part-time employees at ABC Company are \$40, \$45, \$50, \$55, and \$60. What is the sample variance?

a. 62.5

b. 63.5

c. 65.5

d. 50

A

21 Given 40, 45, 50, 55, 60
Req find Variance (S^2)
Soln $S^2 = \frac{\sum (x_i - \bar{x})^2}{n-1}$

$\bar{x} = \frac{\sum x_i}{n} = \frac{40+45+50+55+60}{5}$
 $\bar{x} = 50$

$S^2 = \frac{\sum (x_i - \bar{x})^2}{n-1}$
 $S^2 = \frac{250}{5-1}$
 $S^2 = 62.5$

x_i	$\bar{x}$	$(x_i - \bar{x})^2$
40	50	100
45	50	25
50	50	0
55	50	25
60	50	100

$\sum (x_i - \bar{x})^2 = 250$

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23. Consider the following transportation problem and compute the initial feasible solution of the above problem when NWCM employed.

C

To /From	Destination I	Destination II	Destination III	Sources Capacity
Source A	50	70	30	80
Source B	60	80	45	120
Source C	40	55	52	50
D/Demand	50	120	80	

a. 16,260

b. 14,260

c. 15,750

d. 13.650

Using North West Corner Method

	7	71	313	55
A	50	70	30	80/20/0
B	60	20	45	120/30/0
C	40	55	52	50/0
d.d	50/0	120/0	80/50	250/250

∴ The sole D feasible b/c was assigned
 assigned = The no of occupied cell $3 = 5 + 1$
 $\therefore (m+n-1)$
 $\therefore 5 = (3+3-1) = 5$
 Total cost = $50(50) + 70(20) + 80(90) + 52(50) + 54(50)$
 Total cost = 15,750

27. An individual accumulated Birr 100,000 ten years before his retirement in order to invest on small business after he retired. If the person invests this money at 10% compounded monthly, how much will be the balance immediately after his retirement?

a. 210,000

b. 100,000

C

c. 228,547

d. 1,100,470

Handwritten solution for problem 27:

27 Given
P = 100,000 (Principal)
r = 0.1 (Interest rate)
t = 10 (Time in years)
n = 12 (Compound monthly)
Solve
 $A = P(1 + \frac{r}{n})^{nt} = 100,000(1 + \frac{0.1}{12})^{12(10)}$
 $= 100,000(2.28547)$
 $A = 228,547$

28. ABC Company decides to have seating chairs. To acquire these seating chairs the company has two options. One option is making at home and the other option is to purchase from the market. To make at home, company must require machines that costs 40000 birr. The seating chairs are current purchased at birr 300 birr. If the company decide to make at home labor, materials and overhead, cost estimated at 200 birr per chair. Annual demand is estimated as 1000 units. Assume if seating chair produced is limited to 1000 unit, how much cost the company saves by making at home?

a. 65,000 birr

b. 70000birr

D

C. 68500 birr

d. 60,000 birr

28. Given	
Cost of making	Cost of buying
i) Machine cost = 40,000	i) Cost of purchase = 300
ii) Labor, material and overhead cost = 200 birr	ii) No. of units = 1000
iii) No. of unit (Q) = 1000	
Total cost of making at home is	Total cost of buying from market is (P x Q)
$40,000 + (200 \times 1000)$	$300 (1000)$
$40,000 + 200,000$	$300,000$
<u>240,000</u>	
∴ The amount of cost the company save by making at home is $300,000 - 240,000$	
<u>60,000</u>	

52. A business enterprise wants to run printing press service and the operation costs Birr 50,000 to set up the presses and machinery needed to print and bind a paperback book. After setup, it costs Birr 5 per book printed and bound. Assume that the business starts its operation and printed 20,000 books. Therefore, what will be the variable cost per unit of the operation?

a. 8

b. 5

B

c. 20,000

d. 10

Handwritten solution for problem 52:

Given: $\text{Setup Cost} = 50,000 \text{ birr}$, $\text{Cost per book} = 5 \text{ birr}$, $\text{No. of books} = 20,000$

Calculation:

$$\begin{aligned} \text{Total VC} &= \text{Setup Cost} + (\text{Cost per book} \times \text{No. of books}) \\ &= 50,000 + (5 \times 20,000) \\ &= 50,000 + 100,000 \\ &= 150,000 \end{aligned}$$

Variable Cost per Unit:

$$\text{VC/unit} = \frac{\text{Total VC}}{\text{No. of units}} = \frac{150,000}{20,000} = 7.5$$

61. from the data below, what is the mode class for the statistical distribution table?

Class Mark	1-5	6-10	11-15	16-20
Frequency	4	3	1	2

a. 1st class

b. 2nd class

c. 3rd class

d. 4th class

A

73. If you have an opportunity to receive birr 100,000 three years from now and if you can earn 6% on its investment that compounded annually, what is the amount that would make you indifferent if you are received the amount as of today?

a. 173, 548.98 birr

b. 183, 548.98 birr

C

c. 83, 961.92 birr

d. 175,548.98 birr

Handwritten calculation for the present value of 100,000 birr in 3 years at 6% interest:

Given	Req
FV = 100,000	PV = ?
r = 0.06	So:
n = 3 years	$PV = \frac{FV}{(1+r)^n} = \frac{100,000}{(1+0.06)^3}$
t = 1	$PV = \frac{100,000}{(1.06)^3} =$
	$PV = 83,961.92$

81. If the combined arithmetic means of two samples sizes is 6 & 4 respectively, and their means are 15 & 25. Then the combined mean is

a. 20

b. 23

c. 19

d. 21

C

Handwritten solution for question 81:

(81) Given: $n_1 = 6$, $n_2 = 4$, $\bar{x}_1 = 15$, $\bar{x}_2 = 25$

Required: Combined mean

Solve:

$$\text{Combined mean} = \frac{n_1(\bar{x}_1) + n_2(\bar{x}_2)}{n_1 + n_2}$$
$$= \frac{6(15) + 4(25)}{6 + 4}$$
$$= \underline{\underline{19}}$$

86. An investor wants to invest in A, B, C and D businesses operations. The expected return on each investment, given low medium high market demands. Consider information for the investment conditions given in the following payoff table and identify which alternative will be investor's choice if the investor sure that medium demand condition will take place?

Investment decision	Market Demand		
	Low (30%)	Medium (40%)	High (30%)
A	20,000	80,000	80,000
B	-2,000	90,000	60,000
C	1,000	60,000	80,000
D	-5,000	40,000	150,000

a. Alternative "D"

b. Alternative "C"

c. Alternative "B"

d. Alternative "A"

C

90. Kalifa Plc is a national distributor of certain manufacturing products. The selling price and quantity of products distributed are linearly related. Further, the manufacturer's market analyst found out the following demand and supply functions for a particular year. Demand (DD): $P = 200 - q$ Supply (SS): $-q = 50 + 0.5q$. Then, find the excess supply at a price of Birr 130.

a. 160

c. 90

b. 60

C

d. 70

90 with correction

DD	SS
$P = 200 - q$	$P = 50 + 0.5q$
$130 = 200 - q$	$130 = 50 + 0.5q \Rightarrow 80 = 0.5q$
$q = 70$	$q = 160$
since $SS > DD \Rightarrow 160 - 70 = 90$	

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92. Assume that the industry average fixed asset turnover of ABC Manufacturing Company is 2.500 times and the total asset turnover is 3 times. Net sales for the year is 300,000 and 80% of the total assets of the organization is fixed. Assume further that the production manager requests additional fund for the purchase of fixed assets that the company thinks could increase the profitability of the company. Given no impact of depreciation, compute fixed asset turnover of ABC Manufacturing Company.

- a. 3.2 times c. 3.7 times
b. 2.9 times d. 3 times

C

92. Given
Average fixed asset turnover = 2.5 times
Total asset turnover = 3 times
Net Sales = 300,000
Fixed asset = 80% of Total assets
Req. Fixed asset turnover = ?

Soln.
① Total asset turnover = $\frac{\text{Net Sales}}{\text{Total assets}} = 3 = \frac{300,000}{\text{Total assets}}$
Total assets = 100,000
② Fixed asset = Total assets (Fixed asset percentage = 80%)
= 80,000
Then
Fixed asset turnover = $\frac{\text{Net Sales}}{\text{Fixed assets}} = \frac{300,000}{80,000}$
Fixed asset turnover = 3.75

99. ABC computer Distributor expected to sell approximately 1000 computers for the next year. Annual carrying cost is Birr 16 per computer, and ordering cost is birr 5. The distributor operates 300 days a year. The purchase price of computer is birr 5000 per each. Then, what is the EOQ?

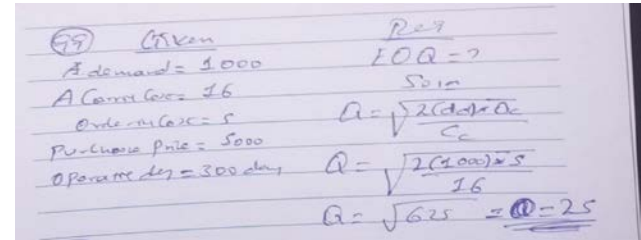
a. 45 computers

b. 36 computers

D

C. 60 computers

d. 25 Computers



Handwritten solution for EOQ calculation:

$$\begin{aligned} \text{Q99} \quad & \text{Given} \quad R=9 \quad \text{EOQ=?} \\ & \text{Demand} = 1000 \\ & \text{A Carrying Cost} = 16 \\ & \text{Ordering Cost} = 5 \\ & \text{Purchase Price} = 5000 \\ & \text{Operating day} = 300 \text{ day} \end{aligned}$$
$$Q = \sqrt{\frac{2(D \times C_o)}{C_c}}$$
$$Q = \sqrt{\frac{2(1000 \times 5)}{16}}$$
$$Q = \sqrt{625} = 25$$

THANK YOU !!!

You Tube Video Link

<https://www.youtube.com/playlist?list=PL5SvRn1ByFvsBGBUG4W0rdGt8n-iAuxUM>

Telegram Channel

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