BUSINESS-ENVIRONMENT-AND-CONCEPTS Q&As

Certified Public Accountant (Business Environment & Concept)

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QUESTION 1

All of the following are characteristics of the strategic planning process, except the:

A. Emphasis on both the short and long run.

B. Review of the attributes and behavior of the organization\\'s competition.

C. Analysis and review of departmental budgets.

D. Analysis of consumer demand.

Correct Answer: C

Choice "c" is correct. Analysis and review of departmental budgets is not a part of the strategic planning process. Budgets are operational and much more specific than the things that are part of strategic planning.

Choices "a", "b", and "d" are incorrect. All of these are part of the strategic planning process:

A. Emphasis on both the short and long run.

B. A review of competition.

D. Analysis of consumer demand.

QUESTION 2

Under the Revised Model Business Corporation Act, which of the following statements regarding a corporation\\'s bylaws is(are) correct?

I. A corporation\\'s initial bylaws shall be adopted by either the incorporators or the board of directors.

II.

A corporation\\'s bylaws are contained in the articles of incorporation.

A.

I only.

B.

II only.

C.

Both I and II.

D.

Neither I nor II.

Correct Answer: A

Choice "a" is correct. Under the Revised Model Business Corporation act, a corporation\\'s initial bylaws may be adopted by either the incorporators or the board of directors. Choices "b" and "c" are incorrect, because the corporation\\'s bylaws are a separate document not included in the corporation\\'s articles of incorporation. Choice "d" is incorrect, because under the Revised Model Business Corporation Act, a corporation\\'s initial bylaws may be adopted by either the incorporators or the board of directors.

QUESTION 3

In which type of business organization are income taxes always required to be paid by the entity on profits earned as well as by the owners upon distribution thereof?

A. General partnership.

B. Limited liability company.

C. Subchapter C corporation.

D. Subchapter S corporation.

Correct Answer: C

Choice "c" is correct. A Subchapter C corporation is taxed as an entity for income tax purposes. Additionally, distributions made to stockholders are treated as taxable income to the stockholders. [Note that this type of corporation is more often called a C corporation instead of a Subchapter C corporation.] Choice "a" is incorrect. A general partnership is not taxed as a separate entity for income tax purposes. Choice "b" is incorrect. An LLC is not taxed as a separate entity for income tax purposes unless the LLC specifically elects to be taxed like a corporation. [Of course, the word "always" in the question takes care of that.] Choice "d" is incorrect. A Subchapter S corporation is taxed as a partnership. Thus, it is not taxed as a separate entity for income tax purposes. [Note that this type of corporation is more often called an S corporation instead of a Subchapter S corporation.]

QUESTION 4

Having identified their mission, overall strategy, and critical success factors, organizations often review the internal and external factors that will contribute to their success. This analysis is often referred to as:

A. TOC evaluation.

B. Brainstorming.

C. Balanced scorecard review.

D. SWOT analysis.

Correct Answer: D

Choice "d" is correct. Evaluation of internal and external factors contributing to an organization\\'s success is referred to as Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. Strengths and weaknesses focus on internal factors while opportunities and threats relate to external factors. Choice "a" is incorrect. The acronym TOC stands for Theory of Constraints, which is an evaluation technique for optimizing throughput time, it does not relate to overall strategy evaluation. Choice "b" is incorrect. Brainstorming is a meeting technique used to generate ideas. Although brainstorming could be used as part of an organization\\'s approach to SWOT analysis, it is not, itself, the evaluation of internal and external factors. Choice "c" is incorrect. A review of the balanced scorecard, which summarizes measures of achievement of critical success factors, does not represent the objective review of internal and external factors that may impact achievement of strategy.

QUESTION 5

White, Grey, and Fox formed a limited partnership. White is the general partner and Grey and Fox are the limited partners. Each agreed to contribute $200,000. Grey and Fox each contributed $200,000 in cash while White contributed $150,000 in cash and $50,000 worth of services already rendered. After two years,

the partnership is insolvent. The fair market value of the assets of the partnership is $150,000 and the

liabilities total $275,000. The partners have made no withdrawals.

If Fox is insolvent and White and Grey each has a net worth in excess of $300,000, what is White\\'s

maximum potential liability in the event of a dissolution of the partnership?

A. $62,500

B. $112,500

C. $125,000

D. $175,000

Correct Answer: C

Rule: The liability of a limited partner for partnership debts is limited to the extent of the capital, which he has contributed or has agreed to contribute. A general partner, however, is liable for all partnership debts and liabilities. Choice "c" is correct. In this case, both Grey and Fox are limited partners and, thus, their respective maximum liability for partnership debts may not exceed their contributions ($200,000 each). Because White is a general partner, however, he will be personally liable for the excess of any debt remaining after assets have been applied upon a dissolution. Therefore, White will be liable for $125,000 (the difference between the fair market value of assets ($150,000) and partnership liabilities ($275,000) at dissolution). Choices "a", "b", and "d" are incorrect, per the above rule.